

Head - 296 Department of Import and Export Control - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 296 - The audit of the financial statements of the Department of Import and Export Control for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The Summary Report containing my comments and observations on the Financial Statements of the Department of Import and Export Control was issued to the Accounting Officer on 19 May 2025 in terms of Section 11(1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report related to the Department was issued to the Accounting Officer on 28 May 2025 in terms of Section 11(2) of the Audit Act. This Report will be presented to the Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements of the Department of Import and Export Control for the year ended 31 December 2024 give a true and fair view of the financial position, financial performance and cash flows, all materialities consistent with the basis for preparing financial statements mentioned in note (1) related to the financial statements.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of the Matter – Basis of preparing Financial Statements

The attention is drawn to the Note 1 related to the financial statement which describe the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Department of Import and Export Control, General Treasury and the Parliament. Consequently, these financial statement may not be suitable for other objectives. My report is only for the use of the Department of Import and Export Control, General Treasury and the Parliament. My opinion on this matter is not modified.

1.4 Responsibilities of Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for preparation of financial statements that give a true and fair view on all the materialities in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements.

In terms of sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make my alterations as required for such systems to be effectively carried out.

1.5 Auditor's Responsibility for the Audit of Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also: for the more;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluated the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.6 Comments on the Financial Statements

1.6.1 Presentation of Financial Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the cash flow statement should be prepared using the direct method, considering both cash and cross-entry in accordance with Subsection 7.7 of the Government Account Guidelines No. 06/2024 dated 16 December 2024, the value of 20 laptops and software worth Rs. 19,880,000 provided as a grant under the EXBS program operated by the US Embassy for the electronic licensing program had been shown as a receipt of non-revenue under the cash flow generated from operating activities, and as an expense for the construction or purchase of physical assets and other investments under the cash flow generated from investing activities in the cash flow statement.	Additional provisions for this have been taken and accounted and included in the cash flow statement.	Accounts should be prepared as per instructions mentioned in Public Accounts Guidelines.

1.6.2 Accounting Deficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Department should be determined the rupee value of the grant when foreign capital assistance is received in the form of materials and equipment for direct use in a specific project, based on the information in the documents related to those items, 60 computers worth USD 62,303.86 received as a grant through the EXBS program of the United States Embassy during the year under review had been recorded in the inventory records, but the value of those computers had not been accounted.	Provisions should be requested for accounting after signing the Property Transfer Agreement in relation to the computers received as a grant to the Department through the EXBS program from October 2024. Since, the said agreement has been signed, it is hereby informed that provisions will be obtained and accounting activities will be carried out promptly.	the value of the grant should be ascertained and accounted.

2. Report on other legal requirements

I hereby declare the followings in accordance with Section 6(1)(d) of the National Audit Act, No. 19 of 2018:

- (a) That the financial statements are consistent with the previous year,
- (b) My recommendations on the financial statements for the previous year, had been completed.

3. Financial review

3.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The initial estimate for license revenue under revenue code number 1001-03-00 was Rs. 2,900,000,000 and later the initial estimate was increased to Rs. 3,100,000,000. But it was observed that the revenue estimates were not prepared in accordance with the correct forecasts due to the fact that a license income of Rs.3,762,582,369 was earned during the year.	The amount of revenue collection is determined according to the annual gazettes issued by the government from time to time, and it is difficult to estimate the figure accurately. A more reasonable estimate will be made by considering the trend of income in the past years and the proposed policies for change.	Estimates should be prepared based on forecasted information as accurately as possible while preparing estimates.

3.2 Expenditure Management

3.2.1 Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In the year under review, there was provision left in the range of 14 to 100 percent of the net allocation of 16 recurrent expenditure codes.	Made a note to calculate the provision for expenses as accurately as possible in the future.	Estimates should be prepared based on forecasted information as accurately as possible
(b) Although the expenditure code allocated for Stationery and Office Requirements (1201) nearly 25 percent of the original estimate was transferred to other expenditure items under F.R.66/69 in the current year as well as in the previous year, 49 percent had still been remained.	Made a note to calculate the provision for expenses as accurately as possible in the future.	Estimates should be prepared based on forecasted information as accurately as possible.

3.2.2.Capital Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Provisions ranging from 32 percent to 88 percent of the net allocation of a 04 capital expenditure codes for the year under review had been remained.	have made notes to accurately forecast the allocation of the expenditure heads in the future.	Expenditure estimates should be prepared based on forecasted information as accurately as possible.

3.2.3 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the Laws, Rules and Regulations observed during the audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Comments of the Accounting Officer	Recommendation
(i) Monetary Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371(2)b	Granting of interim advance should be limited to staff officers only, but in the year under review an immediate interim advance of A security deposit of Rs.100,000/- is required to be deposited at the beginning of each year in respect of electricity consumption to ET Properties and as it is a reimbursable expense, payment has been made in	Must comply with the provisions of the Monetary Regulation

	Rs.100,000 had advance. Since it is returned to been given to the our department at the end of building owner as the year and the settlement is advance of made, it has taken 345 days. building rent. This has been given as an interim advance so far and has been noted to be corrected as a continuous advance.		
(ii)	Sub-Section 4:5 The debt balance and 4.6 of the of Rs.458,816 due Chapter XXIV from the officers of Code of who left the Establishment of service up to 3 the Democratic years and the debt Socialist balance of Rs.335,753 due Republic of Sri from 1 to 3 years Lanka due from the suspended officers had not been collected from the guarantors or heirs as per the provisions of the Establishment Code.	The outstanding balance of Rs. 182,692 has been informed that an employee who left the service since 26 December 2024. He has been reinstated and transferred on 26.03.2025 and the said debt balance has been sent to the new head of the institution. The final notice has been forwarded to the suspended officer to settle the loan amount, and arrangements are being made to seek advice from the Attorney General. The Attorney General has been directed to seek advice regarding the debt balances of the suspended and resigned officers. From the guarantors of an officer who left his post Deducted from salary and credited to this department's account monthly.	Action should be taken regarding outstanding loan balances in accordance with the provisions of the Establishments Code.

4. Operational review

4.1 Vision and Mission

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the objectives, vision and mission of the department established by the Import and Export (Control) Act No. 01 dated January 16, 1969, the necessary activities should be carried out to control the imports and exports that	The Department of Import and Export Control exercises control only over goods for which import or export licenses are issued, and the relevant control should be exercised in terms of quantity, quality, and subject to a certain period of time, according to the policy decisions taken by the government regarding the import or	Under the Import and Export (Control) Act No. 01 of 16 January 1969, scientific method should be introduced to control harmful imports and exports according to the

adversely affect the economy of Sri Lanka, but no recognized scientific method or procedure had been prepared to fulfill the basic objectives of the establishment of the department and the collection of license fees had been considered as the main task.	export of such goods. (Eg. Rice and maize import control, vehicle import control) Based on the recommendations given by the government agencies established to deal with the sectors, the control over the import of goods related to those sectors has been maintained by issuing licenses.	objectives, vision, and mission established by the department.
--	---	---

4.2 Functions and Responsibilities of the Department

Audit Observation	Comments of the Accounting Officer	Recommendation
Although publishing gazette notifications containing regulations related to export control and issuing licenses for the benefit of the country's economy under those regulations are also seen as responsibilities and tasks of the department, the department had only been engaged in tasks related to import control and the audit was not observe that any regulations related to exports had been issued.	While strict rules have not been imposed on export controls in line with the state policy of encouraging exports, limited controls are currently maintained on exports as per the Gazette Notification No. 2044/41 dated 09.11.2017. Discussions are underway to update the said gazette as well.	An internal program should be prepared with considering the objectives and goals of establishing the department indeed.

5. Good Governance

5.1 Implementation of the Directions given by the Committee on Public Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The order given by the Public Accounts Committee to formulate and implement a system to publicize importers who violate the conditions included in import licenses and, in addition, to impose penalties on them, had not been implemented.	Fines are being levied on importers who violate the conditions included in import permits in accordance with the provisions of Gazette Notification No. 1953/28, and steps have also been taken to order the re-export of certain imports (Gazette Notification No. 2384/35 dated 2024.05.17 and Gazette No. 2421/44 dated 2025.01.31). Necessary laws have been drafted to publicize importers who	Compliance to the directives issued by the Committee on Public Accounts is required.

violate the conditions, and the said laws have been forwarded to the Ministry of Finance for submission to the Cabinet for approval.

- | | | | |
|-----|--|---|--|
| (b) | The necessary steps had not been taken in accordance with the order given by the Accounts Committee to supervise the goods imported under the Harmonized Classification Numbers (HS Codes) of the goods subject to the control of the Department and to investigate other goods that should be subject to import control and to subject the appropriate goods to import control under the Harmonized Classification Numbers. | Necessary discussions are underway in this regard. Accordingly, in the future, the combined classification numbers to be controlled and removed from the focus of the Import and Export Control Department are to be identified. | Compliance to the directives issued by the Committee on Public Accounts is required. |
| (c) | The Accounts Committee's order to contact the Department of Motor Vehicles to investigate whether any irregularities had been occurred in the transfer of ownership of vehicles imported under the gift scheme had not been fulfilled. | It was submitted to the Commissioner General of Motor Traffic, and according to the current data of the 208 vehicles included in the letter Came from the Commissioner of Motor Traffic No. DMT/HI/ICT/IMFO/03 and dated 2024/05/08, it was observed that the ownership of only 24 vehicles had been transferred to other parties before the expiry of 05 years from the date of first registration. In this regard, the officers of this department went to the Department of Motor Traffic on 2024/11/05 to further investigate the matter, and since it was informed that further time was required for the relevant investigations and that the relevant information should be reported in writing, the reasons were sought by the letter dated 2024/11/24 and the reminder letter dated 2025/03/14 for the transfer of the ownership of those 24 vehicles as per the license conditions. | Compliance to the directives issued by the Committee on Public Accounts is required. |

6. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Since a computer program has been introduced and implemented for granting import licenses in the year under review, observed that it should be appropriate to re-evaluate the employee requirement of the department and identify the staff requirement.	An evaluation has been done during the introduction and implementation of the computer program for granting import licenses in the reviewed year, and according to its recommendations, an evaluation will be done again in 6 months and the relevant staff will be revised.	An urgent review of staffing needs should be conducted and a staffing review should be carried out.