

Report of the Auditor General on Head 295 - Department of Commerce - Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Department of Commerce -Head 295 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 Director General of the Department on 16 December 2016. 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, 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. 121.90 million and out of that Rs. 108.14 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. 13.76 million or 11.29 per cent of the net provisions. Details are given below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provisions
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	105.65	96.00	9.65	9.13
Capital	16.25	12.14	4.11	25.29
Total	121.90	108.14	13.76	11.29

2.2 Advance Account

2.2.1 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No.29501 of the Department and the actual values 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
5.88	2.23	2.38	3.61	20.00	11.98

2.3 Audit Observation

The Appropriation Account and the Reconciliation Statements of the Department of Commerce for the year ended 31 December 2015, 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 Reports appear in paragraph 3 .

3. Material and Significant Audit Observations

3.1 Appropriation Account

Budgetary Variance

Excess provision had been made for 16 Objects and as such the savings, after the utilization of provisions, ranged between 8 per cent to 97 per cent of the net provisions relating to the respective Objects.

3.2 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed at the audit test checks conducted on the reconciliation statement of the Item No. 29501, Advances to Public Officers Account as at 31 December 2015.

- (a) According to the Reconciliation Statement presented to audit ,the balances recoverable from the Officers who engaged in Foreign Missions remained outstanding as at 31 December 2015 totalled Rs 183,622 and those balances remained over period from 4 years. However, the Department had failed to recover those loan balances .
- (b) According to the Reconciliation Statements , a sum of Rs.26,894 should have been recoverable from the Director General of Commerce who retired in the year 2013 and outstanding from the year 2011 , but action had not been taken to recover this loan balance even up to 31 October 2016.
- (c) According to the individual balances classification summary presented for the year 2015, the un- identified loan balance amounted to Rs.121,426 and action had not been taken to identify those balances and reconciled with the books.

3.3 Good Governance and Accountability

3.3.1 Annual Action Plan

The Department had not prepared an Action Plan in terms of the Public Finance Circular No.01/2014 of 17 February 2014.

3.3.2 Procurement Plan

In terms of the Guideline 4.2.1 (a),(b),(c) of the Government Procurement Guidelines ,the Procuring Entity shall prepare the Main Procurement Plan including Procurement activities envisaged at least for a period of three years and for the immediately succeeding year in detail. However, action had not been taken accordingly by the Department.

3.3.3 Internal Audit

An Internal Audit Unit had not been set up in the Department . Even though those activities should have been carried out by the Internal Audit Unit of the Ministry of Industry and Commerce , an adequate internal audit had not been carried out by that Unit.

3.4 Performance

The following observations are made.

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

Activity	Value in the year 2015	Value in the year 2014	Decrease as compared with the preceding year	Percentage of the decrease
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	US\$ Millions	US\$ Millions	US\$ Millions	
Exports	10,212	11,044	832	7.53
Imports	18,989	19,246	257	1.34
Overall Trade	29,201	30,290	1,089	3.60
Trade Balance-minus	8,777	8,202	575	7.01

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

Activity	Year 2015	Year 2014	As compared with the Preceding Year	
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	Number	Number	Increase/(Decrease) in the year under review	Percentage of Increase and (Decrease)
	Number	Number	Number	
Participation of Sri Lanka to the host country for the promotion of trade.	1,202	798	404	50.62
Participation of the host country to the Sri Lanka for the promotion of trade.	247	191	56	29.31
Conduct of propaganda programmes of Sri Lanka specific (individual country) in host countries	63	33	30	90.90
Arrival of missions to Sri Lanka	575	422	153	36.25

Missions travelled to the host country	888	883	5	0.56
Individual travels to the host country	141	280	(139)	(49.64)
Individual travels to the Sri Lanka	153	237	(84)	(35.44)

According to the above data, the individual travels to the host country and the Sri Lanka had been decreased by 139 and 84 or 50 per cent and 35 per cent respectively more than the preceding year. Therefore, it was observed at audit that the necessity of introducing tourist opportunities on the direct intervention of the Commerce Officers for the promotion of local and foreign investments in Sri Lanka.

- (c) Certificates of Origin had been issued by the Department for the Sri Lankan origin products exported under Preferential Trade Agreements and Regional ,Bilateral and Free Trade Agreements. 120,302 of those certificates had been issued in the year 2014. The number of certificates issued in the year under review had been 108,664. Accordingly,11,658 certificates or 10 per cent had been lessen in the year under review as compared with the preceding year.
- (d) Even though an Action Plan for the year 2015 had been prepared by the Department, the progress of the fulfilling of each duties mentioned in the Action Plan had not been mentioned in the Performance Report presented by the Department.
- (e) A commercial representative consist of 27 Officers of the Department in 25 Sri Lankan Missions established in foreign countries by paying attention on the promotion of trade, investments and tourism under foreign commercial representative had been carried out. The Performance Reports had not been prepared as able to evaluate the progress on the commercial activities fulfilled by the Commerce Officers of each Missions.

3.5 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	65	51	14
(ii) Tertiary Level	02	02	0
(iii) Secondary Level	62	44	18
(iv) Primary Level	19	17	2
Total	148	114	34