

Head 244 - Report of the Auditor General on the Department of Trade and Investment Policy – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Department of Trade and Investment Policy. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament 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, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Department of Trade and Investment Policy – Head 244 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Department of Trade and Investment Policy for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.7 of this report. It was observed that the accountability as the Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulation 128 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Accounting Officer in terms of Financial Regulation 128(1)	Non-compliance with that Provision by the Accounting Officer	Reference to the Paragraph of the report which included the Observation

Financial Regulations		

128(1)(a)	That the work of his department is planned and carried out with due despatch, having regard to the policy laid down by the Government and the intentions of Parliament in granting him financial provision for the activities authorized, and that an endeavour is made to complete the programme of work laid down for the year and/or to attain the targets specified,	<ol style="list-style-type: none"> 1. Failure to prepare Budget Estimates in a realistic manner. 2. Failure to obtain the expected output. 3. Failure to perform the functions.
128(1)(b)	That the organization for financial control and accounting in this department is effective and provides adequately for the correct ascertainment, where necessary, of dues to Government, the systematic, complete and prompt collection of dues, and bringing to account of monies received, the authorization of commitments on behalf of the Government, the supervision and examination of services and supplies rendered, and the prompt and correct payment therefor from public funds,	<ol style="list-style-type: none"> 2.3 2.2.1 2.2.2 2.5

128(1)(c)	That the Financial Regulations and other supplementary instructions of the Government are adhered to in his department, and that they are supplemented by departmental instructions, where necessary.	1. Non-maintenance of Registers and Books	2.6
		2. Non-compliances	2.7

2. Material and Significant Audit Observations

2.1 Key Functions of the Department

The following three Divisions were established by the Department to perform its key functions.

01. Trade Policy Division
02. Investment Policy Division
03. Administration, Accounts and Special Projects Division

The functions of each Division were as follows in brief.

01. Trade Policy Division

The functions such as preparation and implementation of trade policies, amendment of trade and tariff policies also the functions relating to special trade goods tax pertaining to trade, industries and free trade agreements are performed under this Division. Further, the coordination of functions relating to regulations and appeals regarding the custom administration are performed. The key functions performed under the Trade Policy Division are as follows.

- I. Trade Policies
- II. Tariff Policies
- III. Free Trade Agreements

02. Investment Policy Division

The responsibility of Investment Policy Division relates to the policy matters on investments of Government institutions.

03. Administration, Accounts and Special Projects Division

The responsibilities of Administration, Accounts and Special Projects Division relates to the management of human, physical and financial resources and administration and financial affairs.

2.2. Performance

2.2.1 Achievement of Sustainable Development Goals

Even though attention of the Department should be needed in respect of 17 Sustainable Development Goals to be achieved during the period 2015-2030, the plans including the Action Plan of the year 2017 had not been prepared accordingly and such identification was not observed as per the documents of the year 2018 as well. As such, it was observed that no initial step whatsoever had been taken by the Department for the achievement of sustainable development goals.

2.2.2 Failure to perform the Functions

Even though 33 key functions should have been performed by the Department according to the Annual Action Plan, 11 out of those 33 functions had not been completed as per the Annual Performance Report. It was observed in the audit test check that 04 functions were not performed and the details thereof are given below.

- (a) Failure to take necessary action to publish the details of write-offs, exemptions and reliefs of tariffs in the Government Gazette and table them in Parliament in compliance with the provisions in Section 19(a) of the Customs Ordinance and Government policies.
- (b) Failure to take action by the Department to develop the trade and investment data base during the year 2017.
- (c) A function of the Department is to grant approval for the goods imported for special development projects and re-exportation under 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.
- (d) Failure to formulate necessary provision to grant approvals for the release of 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 said outstanding duties relating to the period from the year 2007 to 2017 amounted to Rs. 19,483.85 million).

2.3 Utilization of Provisions authorized by Parliament to Perform Functions

Information on the utilization and savings of provision made for the Department during the 05 years ended as at 31 December 2017 and the audit observations thereon relating to the year under review are given below.

Year	Category of Expenditure	Net Provision	Actual Expenditure	Savings	Savings as a percentage of net provision
		Rs.million	Rs.million	Rs.million	
2013	Recurrent	831.3	750.2	81.1	9.8
	Capital	3.15	1.7	1.45	46.0
	Total	834.45	751.9	82.55	9.9
2014	Recurrent	755.76	736.07	19.69	2.6
	Capital	6.18	5.28	0.9	14.6
	Total	761.94	741.35	20.58	2.7
2015	Recurrent	1157.1	1156.56	0.53	
	Capital	4.67	4.45	0.23	4.9
	Total	1161.77	1161.01	0.76	0.1
2016	Recurrent	49.93	47.07	2.86	5.7
	Capital	5.1	3.08	2.02	39.6
	Total	55.03	50.15	4.88	8.9
2017	Recurrent	49.73	44.92	4.81	9.7
	Capital	3.2	0.71	2.49	77.8
	Total	52.93	45.63	7.30	13.8

The following observations are made in this connection.

- Provisions of supplementary estimates totalling Rs.3,900,000 had been obtained for 02 Objects during the year 2017 and that increase ranged from 56 per cent to 94 per cent.
- The entire estimated provision amounting to Rs.300,000 made for a Capital Object had been saved without being spent as at the end of the year.
- Provisions amounting to Rs.1,000,000 had been made by supplementary estimates for a Recurrent Object on 01 February 2017 and a sum of Rs.905,354 or 91 per cent of the supplementary provision had been saved.
- Excess provision had been made for 08 Objects and as such the savings after the utilization of provisions ranged from 27 per cent to 92 per cent of the net provisions relating to the respective Objects.

2.4 Advances to Public Officers Account

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
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Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
3.50	3.15	1.40	1.69	12.00	8.48

2.5 Imprest Account

The following observation is made.

According to the letter No.TO/BE1/2/IMP/329/2017 dated 09 January 2017 of the Department of Treasury Operations on "Determination of Imprest Limit for the Year 2017" which was received by the Department, action should be taken to review the monthly imprest limit once in a quarter and determine the imprest limits by reporting accurate information. Nevertheless, it was observed in audit that the Department had not taken action accordingly.

2.6 Non-maintenance of Registers and Books

It was observed during audit test checks that the Department had not maintained the following certain registers in the proper and updated manner.

Type of Register	Relevant Regulation
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(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978
(b) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002

2.7 Non-compliances

Non-compliance with Laws, Rules and Regulations

The full report to be submitted in terms of Financial Regulation 104 on the accident caused to a motor vehicle belonging to the Department on 18 May 2017, had not been submitted even by 04 April 2018, the date of audit.

2.8 Human Resources Management

The particulars relating to the approved cadre, actual cadre, and vacancies as at 31 December 2017 to perform the function mentioned in 2.1 above are given below. The Department had spent a sum of Rs.30.19 million on the category of Personal Emoluments in the year under review. Accordingly, the annual per capita expenditure on emoluments had been Rs.642,290.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	14	09	05
(ii)	Tertiary Level	03	02	01
(iii)	Secondary Level	28	24	04
(iv)	Primary Level	13	12	01
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	Total	58	47	11
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