

Head 295- Report of the Auditor General of the Department of Commerce- Year 2017

The Appropriation Account and the Reconciliation Statement under the Head and the Item Number mentioned in the First Schedule and the Third Schedule of the Appropriation Act No.24 of 2016 as amended by the Appropriation (Amendment) Act No.32 of 2017 was furnished to audit by the National Education Commission. The financial and physical performance indicated by those Accounts and Reconciliation Statements is 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 on Financial

Management and Accountability

Earning state money and collecting money receivable to the Government and also, the general supervision on monitoring all financial activities of the Government is entrusted to the Minister of Finance in terms of the Financial Regulation 124 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers are appointed in terms of the Financial Regulation 124(2) to fulfill that responsibility by the Minister of Finance. The Head of the Department is the Accounting Officer in terms of the Financial Regulation on all monetary transactions of his Department and the Income Accounting Officer is appointed by the Treasury. The responsibility also includes planning, implementation and the maintenance of the internal control relevant to the maintenance, preparation and fair presentation of the Accounts and Reconciliation Statements furnished by fulfilling its functions within the scope determined by the Parliament in compliance with Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and with Administrative Regulations.

1.3 Scope of Audit

The audit of Head 295 Department of Commerce for the year ended 31 December 2017 carried out on planning relating to the financial and physical performance, management of state expenditure, state revenue, human and physical resources, deployment of internal control provisions, compliance with laws, rules and regulations and maintaining and updating books, registers, records and reconciliation statements, preparing and furnishing Accounts timely, issuing Performance Reports to the relevant parties based on the Performance Index 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 Commerce of the Department on 30 October 2018. The audit observations, comments and findings on the accounts and reconciliation statements were based on a review of the 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

Audit observations revealed in the audit carried out in the Department of External Resources for the year ended 31 December 2017 are mentioned in details in the Management Audit Report mentioned in the Paragraph 1.3 above. The material and significant audit observations out of those observations are mentioned from paragraph 2.1 to paragraph 2.8 of this Report. It was observed that he has fulfilled his accountability as the Accounting Officer under the audit observations summarized and stated in the Note given below revealed in fulfilling the provisions stated in the Financial Regulation 128 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, confirming the sufficiency of financial administration

Accountability of the Accounting Officer in terms of the Financial Regulation 128(1)	Non- compliance to those provisions by the Accounting Officer	Reference to the paragraph in the Report in which the Observation is included
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Financial
Regulation

128(1)(a)	That the activities of the Department are implemented by planning with discretion by considering the challenges of the Parliament in making available financial provision for policy prescribed and had been stated by the Government and for the authorized activities and that, effort had been taken to complete the programme scheduled for the current year and/ or to achieve the prescribed target.	Not obtaining the expected results.	2.1
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128(1)(c)	That Financial Regulations and other Government Supplementary Guidelines are being followed in his Department and that Departmental Regulations are being issued thereon, in necessary instances.	Non- compliances.	2.5
128(1)(h)	That, special provisions are deployed to recover the outstanding fees and that it is reported to him at least once in three months or in any other manner as being instructed, on the outstanding money and on the steps taken to expedite their recovery by the Officers who are entrusted with that function.	Recovery of Outstanding Loan Balances in the Advances to Public Officers' Account.	2.4(b)
128(1)(i)	That, activities of his Department are being carried out by proper consideration on the facts such as the frugality, efficiency, regularity and honesty expected in executing the functions of the Government	Management Weaknesses.	2.2

2. Material and Significant Audit Observations

2.1 Performance

The following activities carried out by the Commercial Officers on the foreign trade representations had been decreased in the year under review as compared with the preceding year. As such, the need of introducing tourism opportunities remained on the direct intervention of the Commercial Officers for the promotion of local and foreign investments in Sri Lanka.

Activity	Decrease as compared with the preceding year

Conducting of programmes in the host country to Sri Lanka for promotional fairs.	24
Arrival of missions to Sri Lanka.	39
Personal tours to the host country.	8
Personal tours to Sri Lanka.	17

2.2 Management Weaknesses

The following weaknesses were observed at audit test checks.

- (a) The power of declaring the Lending Institutions on the recommendation of the Committee on Lending Institutions had been entrusted to the Director General of Commerce under the Pawning Act, No.06 of 1949, Trusts Ordinance No.12 of 1947 and the Trusts Receipts Act No.14 of 1990. A Committee consisting of the Chairman and three other members should be appointed by the relevant Minister for the approval and for the recommendation of the Lending Institutions and that appointment should be published by a Gazette Notification by Section 114(1) of the Pawning Act. That Committee had been appointed for the period from 13 January 2014 to 12 January 2014 and that Committee had been reappointed for the period from 13 June 2017 to 12 June 2020. As such, a Committee had not been appointed for the period from 13 January 2017 to 12 June 2017 and the function of approving of the Lending Institutions that had been entrusted to the Director General of Commerce had not been executed.
- (b) It had been declared by the Department that 275 Lending Institutions are Lending Institutions that had been approved for the functions of that Act under Section 114(1) of the Pawning Act from September 1973 to April 2017. Two- hundred and sixty- nine Institutions out of them had been Co- operative Societies and Rural Banks and the remaining 106 Institutions had been Financial Companies and banking Institutions. Only the approving of these Lending Institutions is being carried out by the Department of Commerce and a methodology of carrying out supervision on the operation of the approved Lending Institutions had not been implemented even by 31 August 2018. It was observed that there is a risk of the public being subjected to fraudulent activities on a proper methodology for the financial security of the public not being implemented.
- (c) The Certificates of Origin issued for the export of goods without custom duties under the Selective Trade Agreements are being printed in a safe manner with the Watermark by the Department of Government Printing. The Internal Control remaining relating to the process from the instance where the empty Certificates of Origin being received to the Subject Clerk to the instance where it is being received to the exporters remained at a weak level.

- (d) Empty certificates in large amounts are issued free of charge by the Department on a single instance considering the requirement of the exporters. However, any reconciliation whatsoever had not been carried out relating to the return of the empty certificates issued as Certificates of Origin again by arriving to the Department. As such, non- reconciliation between the issued empty Certificates of Origin was observed.
- (e) The issuance of the Certificates of Origin had been stated as a Key Function under the trade agreements and the responsibility of the issuance of those certificates had been included on the Scheme of Recruitment as a function relating to the posts belonging to the category of Executive Services (Assistant Director/ Deputy Director- Commerce), in the functions of the Department of Commerce. However, it was observed that the function of the issuance of the Certificates of Origin had been carried out by the Officers who belong to the Combined Services, who are employed in the Development Officers' Service, a post in the Secondary Level, of the Department.

2.3 Utilization of provisions made available by the Parliament for the execution of Functions

Details on the provisions made available to the Department, utilization and savings within 05 years from the year ended 31 December 2017 appear below.

Year	Type of Expenditure	Net Provision Rs.Millions	Utilization Rs.Millions	Saving Rs.Millions	Saving as a percentage of the Net Provision
2013	Recurrent	95.98	92.64	3.34	3.48
	Capital	11.43	8.97	2.46	21.52
	Total	107.41	101.61	5.80	5.40
2014	Recurrent	92.25	91.79	9.46	0.50
	Capital	14.75	13.23	1.52	10.31
	Total	107.00	105.02	1.98	1.85
2015	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
2016	Recurrent	110.29	109.13	1.16	1.05
	Capital	10.50	10.12	0.38	3.62
	Total	120.79	119.25	1.54	1.27

2017	Recurrent	122.30	115.77	6.53	5.33
	Capital	14.37	13.17	1.20	8.35
	Total	136.67	128.94	7.73	5.65

(a) Appropriation Account

The following observations are made in this connection.

Making Over- provisions

The savings of the Net Provision made available was ranging from 25 per cent to 98 per cent on making over – provisions totalling Rs.4.52 million in 03 Capital Expenditure Objects and in 08 Recurrent Expenditure Objects and on utilizing only a total sum of Rs.9.23 million of the provisions relating to those Expenditure Objects.

2.4 Advances to Public Officers' Account

The 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	
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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
6.00	5.97	3.00	3.98	20.00	13.54

The following observations are made in this connection.

- (a) A difference of Rs.416,550 that remains from the year 2005 was observed between the Balance stated in the Department Books and the Treasury Printout Balance as at 31 December 2016 in the Advances to Public Officers' Account and that balance remained not being settled even by 31 December 2017.
- (b) It had not been able to recover the loan balance amounting to Rs.131,150 of an Officer retired on 19 December 2016, up to 31 December 2017.

2.5 Non- compliance with Laws, Rules and Regulations

Five motor vehicles belonging to the Department had not been estimated in terms of the Circular dated 12 July 2013 and in terms of the Circular No.SAS/AA.

2.6 Internal Audit

It was observed that an internal audit had not been carried out and reports had not been issued on the activities of the Department in terms of the Management Audit Department Circular No.DMA/2009(1) of 09 June 2009.

2.7 Sustainable Development

Every Institution should act as per the Sustainable Development Goals, Agenda 2030 of the United Nations by every public institution and the Department of Commerce had not been aware of the manner that it should be acting relating to the functions that are under their scope by the Department of Commerce relating to the year under review. Internal Circulars, Guidelines had not been issued by the Department relating to the implementation of the Sustainable Development Goals that should be achieved as per their scope by the Department of Commerce on being aware of the Sustainable Development Goals, Agenda 2030, as mentioned above. A procedure for the confirmation of the accuracy of the data had not been remained.

2.8 Human Resources Management

Approved Cadre and Actual Cadre

Details on the approved cadre and the actual cadre and the number of vacancies as at 31 December 2017 for the execution of the functions of the Department appear below.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	66	58	08
(ii) Tertiary Level	02	02	00
(iii) Secondary Level	62	45	17
(iv) Primary Level	21	15	06
Total	151	120	31
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The following observations are made in this connection.

- (a) The post of the Additional Director General of Commerce, a post important in the activities of the Department that acts as an Institution which facilitates for international trade activities in Sri Lanka remained vacant and the post of Sri Lanka Administrative Service I remained vacant from the date of the establishment of that post or, from 25 June 2014 and the post of the Librarian remained vacant from the year 1999.
- (b) The two posts of the Legal Officer and the Economics Specialist, which were approved on 25 September 2017, remained vacant even by 31 August 2018.
- (c) It was observed that 3 posts of Deputy/Assistant Director General of Commerce, 5 posts of Development Officer, 11 posts of Management Assistant and 4 posts in the Officer Assistants' Service remained vacant as at the end of the year under review. Three Development Officers and two Officers of the State Management Assistants' Service had been attached in the year 2018.