

Head 295 – Department of Commerce -2022

1. Financial Statement

1.1 Opinion

Head 295 - The audit of the financial statements of the Department of Commerce for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Commerce was issued to the Accounting Officer on 11 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 19 May 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Department of Commerce as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

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 annual and periodic financial statements to be prepared.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on 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 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluate the overall presentation, 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.

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

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

2. Financial Review

2.1 Non- compliance with Laws, Rules and Regulations

The instances of non- compliance with laws, rules and regulations are analyzed below.

	Observation			
	Reference to the Laws, Rules, Regulations etc.	Non-compliance	Comments of the Accounting Officer	Recommendation
	Financial Regulations of Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulations 756 (1)	Although a Board of Survey Committee should be appointed before 15 December every year to	Board of Survey activities on books have been commenced in the library of the Department and arrangements will	Actions should be taken in accordance with Financial Regulations.

check the accuracy of goods exist in the Department, the books of the Departmental Library had not surveyed in the year 2022.

be made to submit that report promptly.

(ii)	Financial Regulations 891	The Register of Securities had not been maintained in an updated manner.	Necessary arrangements will be made in future to update the Register of Securities.	Actions should be taken to maintain the Register of Securities in an updated manner.
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3. Operating Review

3.1 Planning

Audit Observation

Even though 09 activities had been planned to be carried out by the Research and Development Division as per the Action Plan submitted by the Department for the year under review, only 05 activities had been completed according to the progress report.

Comments of the Accounting Officer

The relevant research activities under the identification of current development opportunities and threats in international trade have been included under the researches related to the Free Trade Agreement and the researches related to Sri Lanka's trade with the world.

Recommendation

Activities planned should be performed in a timely manner.

3.2 Failure to Perform Roles

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Anti-dumping and Countervailing Duties Act No. 2 of 2018 had been introduced with the aim of protecting domestic industries of Sri Lanka from prohibited and actionable subsidies and dumping. Although it had been stated that the Act would be active from the date of publication of the terms necessary for the implementation of this Act in the Gazette, due to the failure to publish those terms in the Gazette, the terms in the Act could not be implemented.</p>	<p>A discussion was held at the Ministry under the Chairmanship of the Honorable Minister on 01 March 2023 and a Committee had been appointed to take measures in respect of the gazette of regulations therein. The relevant regulations have also been forwarded to the Attorney General's Department by now for the approval based on the recommendation of the Committee.</p>	<p>The terms necessary for the implementation of the Act should be published in the Gazette immediately.</p>

3.3 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) The Export Development Board and the Ministry of Foreign Affairs meet and prepare the goals and progress without the participation of the Department of Commerce when setting the goals given to the commercial officers in relation to the promotion of foreign trade, which is one of the main tasks of the commercial officers employed in Missions abroad. In setting the goals and progress of the</p>	<p>The Commerce Department has informed all the Commerce Officers abroad to submit the monthly report to the Department mentioning the actual results of the activities in order to assess the progress of the activities.</p>	<p>Actions should be taken to introduce a methodology for the evaluation of export contribution.</p>

Missions, the export targets of the entire country and the cumulative actual export income are identified as the export goals and progress of the Missions and the Department had not identified a methodology for evaluating the contribution to export growth through the activities of Commercial Officers.

(b) Only the Appointing Authority has the power to appoint for an acting post in terms of Paragraph 114 of the Procedural Rules published in the Extraordinary Gazette No. 1589/30 dated 20 February 2009. Accordingly, although the Appointing Authority in relation to the post of Director General of Commerce is the Cabinet of Ministers, an officer had been appointed on acting basis to serve as Director General of Commerce from May 2020 to September 2022 without obtaining the approval of Cabinet of Ministers.

(c) Even though the High Commissioner in London had submitted an accusation against the Acting Director General of Commerce with regard to an email message relating to a cash transaction on 01 November 2022, a preliminary investigation had not been conducted in terms of Section 13 of Chapter XLVIII of the Establishments Code.

The Department does not have documents that there was an approval of the Cabinet of Ministers for the relevant appointment.

Appointment for acting posts should be done with a formal approval.

The investigation was done by the Ministry of Trade, Commerce and Food Security and the works related to that have not been done by the Department of Commerce.

Actions should be taken in terms of the provisions of the Establishments Code.

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| <p>(d) A difference of Rs.278,944 between the balance as per Departmental Books of advances to government officers' "B" account and the balance as per Treasury Computer Printout as at 31 December of the year under review have been remaining for more than 16 years.</p> | <p>The Accounting errors found in the reconciliation of accounts for the year 2006 have been rectified. Arrangements have been made to correct the accounts in future years.</p> | <p>Actions should be taken to reconcile and settle the difference between Treasury Books and Departmental Books.</p> |
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4. Good Governance

4.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The Accounting Officer should appoint a suitable auditor to carry out the internal audit of the Department, in terms of Section 40 (1) and Section 40 (2)(1) of the National Audit Act No. 19 of 2018 . an Internal Auditor had not been appointed even by the end of the year under review. Although the Department of Management Services had informed that the Internal Audit Unit of the Ministry would conduct the audit of the Department, the Ministry had not conducted an audit for the year under review.</p>	<p>According to the notification of the Department of Management Services, the internal audit works of the Department have been assigned for the Internal Audit Unit of the Ministry .</p>	<p>An internal audit should be conducted by the Ministry as per the notification made by the Department of Management Services.</p>

4.2 Audit and Management Committee

Audit Observation	Comments of the Accounting Officer	Recommendation
----- An Audit and Management Committee had not been established.	----- Answer has not been given.	----- Establishment of Audit and Management Committees should be carried out.

5. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
----- Although the approved cadre of the Department for the year under review was 151, thus the actual cadre was 103, the total number of vacancies were 48. Within those vacancies, 08 posts out of 10 Special and Grade One approved posts including the posts of Director General of Commerce and Additional Director General of Commerce were in vacant.	----- Officers have been appointed to the posts of Commercial Director General and Administrative Officer on acting basis and vacancies of one post of Commercial Director and one post of Development Officer have been filled. Arrangements are being made to fill other vacant posts.	----- Actions should be taken to accurately identify the requirements and to revise the approved cadre and to fill the vacancies.