

Head 295 - Department of Commerce -2023

1. Financial Statements

1.1 Opinion

Head 295 - The audit of the financial statements of the Department of Commerce for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, and cash flow statement for the year then ended including material accounting policy information 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 Chief Accounting Officer on 30 April 2024 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 Chief Accounting Officer on 30 May 2024 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 as at 31 December 2023 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 evidence 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 Chief 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 Chief 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 Chief Accounting Officer is 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 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 Imprest Management

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|---|
| Although the staff officer who obtains the ad hoc sub imprest should settle the ad hoc sub imprest as soon as the task is completed, as per the Finance Regulations 371 (2) (b) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020, a sum of Rs. 1,049,227 from advances issued 03 May 2023 to three officers had not been so settled. | Arrangements are being made to recovery this money. | Activities on recoveries of money should be carried out promptly. |

2.2 Cost Management

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|--|
| Although it is the responsibility of the Accounting Officer to prepare the estimates as completely and accurately as possible in terms of Financial Regulation 50 (II), the provision ranging from 55 per cent to 95 per cent of the allocated amount in 03 capital expenditure objects totalled to Rs.5,497,128 had not been unutilized. | Due to spending only on essential services under Public Expenditure Management, there have been non-utilization of provisions. | Estimates should be prepared as completely and accurately as possible. |

2.3 Non-compliance with Laws, Rules and Regulations

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

| Reference to Laws, Rules and Regulations | Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|--|--|
| Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| (i) Financial Regulation 257 | Although the payment should be made only for certified vouchers, a total of Rs.922,810 as subsistence allowances and incidental allowances had been paid for two officers by two vouchers without so certifying. | Although certification of two vouchers had been missed, the signature of the accountant is included in the letter submitted to the bank in relation to the voucher submitted for issuance of foreign exchange. | Payments should be made only to certified vouchers in terms of Financial Regulations. |
| (ii) Financial Regulation 880 | The officers who were required to keep securities had not kept securities in terms of the Security Ordinance. | That necessary activities will be carried out by the Ministry in the future. | Securities should be obtained from the officers who are required to keep securities in terms of Financial Regulations. |

3. Operating Review

3.1 Failure to Perform of Duties

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|--|---|--|
| (a) The Anti-Dumping and Countervailing Duties Act No. 2 of 2018 had been introduced with a view to protecting domestic industries from prohibited and actionable subsidies and dumping. Although 05 years had elapsed since the introduction of the Act, the Act could not be implemented due to the failure to gazette the terms required for the implementation of this Act. | As a case has been filed on 22 November 2023 regarding the liquidation of the Department of Commerce and the letter sent by the Attorney General's Department to this Ministry has informed that not to carry out activities related to the liquidation of the Department of Commerce until 08 May 2024 . | Terms necessary for implementation of the Act should be published in the Gazette promptly. |
| (b) The approval was given by the Decision of Cabinet of Ministers No. 43 /23/1216/627/019 dated 24 July 2023 to implement the 06 recommendations mentioned in Paragraph 4 of the Committee of Officers Report submitted with the Memorandum of Cabinet of Ministers dated 26 June 2023 named "Review of the Role of the Department of Commerce" . Even though it is stated that the recommendations should be implemented within a period of two months after giving recommendations to the Secretary of the Ministry of Trade, Commerce and Food Safety on how to assign Directors and Commercial Officers working in the Department, the task had not been completed within the given time. | As a case has been filed on 22 November 2023 regarding the liquidation of the Department of Commerce and the letter sent by the Attorney General's Department to this Ministry has informed that not to carry out activities related to the liquidation of the Department of Commerce until 08 May 2024 . | The recommendations mentioned in the Decision of Cabinet of Ministers should be implemented. |

3.2 Management Inefficiencies

| Audit Observation | Comments of the Chief Accounting Officer | Recommendation |
|---|--|--|
| (a) The electricity charges for the first, second and ground floors were Rs.537,705, Rs.663,117 and Rs.4,158,572 respectively in the year 2022 and thus the electricity charges for those floors in the year under review were Rs.1,382,078, Rs.1,386,206 and Rs.11,035,179 , it was observed that electricity charges were unusually high in the ground floor. | Inclusion of the bill of M floor also in the electricity bill of the ground floor and addition of the cost of electricity consumption of the Cooling Tower related to the air conditioners installed by the department and the ministry to the ground floor has caused to a higher rate of the bill. | Actions should be taken to control the expenses. |
| (b) Sathosa is running a sales center in a part of the ground floor of the building where the Department of Commerce is established and an estimated amount is charged monthly from the institution for electricity. A sum of Rs 2,157,813 from the amount so assessed for the year under review had to be charged further. | Lanka Sathosa has been informed continuously for the recovery of arrears receivable. | The money should be recovered. |
| (c) An allegation over an email message relating to a money transaction had been made by the London High Commissioner against the then Acting Director General of Commerce of the Department on 01 November 2022. A preliminary investigation had not been conducted in this regard as per Section 13 of Chapter XLVIII of the Establishments Code. | A letter has been sent to the Ministry to take further action in this regard and further work is being done by now. | Actions should be taken in term of Establishments Code. |
| (d) Even though it was specified that the government officers should not participate with expenses from local | A cash advance of Rs 1,453,925 has been given as subsistence allowance and | Taking actions as per the provisions of the letter should be the |

funds in foreign studies/ training/ discussions/ seminars/ trips which are not fully covered by the sponsoring institution, as per Paragraph 03 of the Letter No. MF/06/ 23/50/2023 dated 20 March 2023 of the Secretary, Ministry of Finance, Economic Stabilization and National Policy, three officers had participated in an annual investment meeting held in Abu Dhabi from 08 to 10 May 2023 by spending Rs 1,453,925 .

incidental allowance as per letter PS/CSA/00/1/4/8 dated 15 March 2023 of the Presidential Secretariat.

responsibility of the officers.

(e) A difference of Rs.294,544 between Balance as per departmental books and balance as per Treasury computer printout in the Reconciliation Statement of Advances to Public Officers "B" Account for the year under review had remained for more than 17 years.

As it has been observed that it has not matched since the year 2005 steps have been taken to correct the accounts since 2005 .

Settlement of mismatches between books should be expedited.

4. Human Resources Management

Audit Observation

Five posts out of 10 approved posts of special and class one including additional posts of Director General of Commerce had remained in vacant as at 31 December of the year under review.

Comments of the Chief Accounting Officer

As there is no qualified officer as per the Scheme of Recruitment for the post of Additional Director General of Commerce, an officer has not been appointed for that. As the two qualified Commercial Directors are on foreign duty after reporting for duty in the Department, they will be appointed to those posts.

Recommendation

Actions should be taken according to the Decision of Cabinet of Ministers given.