

Head - 296 Imports and Exports Control Department

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Head - 296 - Imports and Exports Control Department for the year ended 31 December 2023 comprising the statement of financial position, statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, 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 Imports and Exports Control Department in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on 28 May 2024. Annual Detailed Management Audit Report related to the Department in terms of Section 11 (2) of the Audit Act was issued on 13 June 2024. This Report is presented to the Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Imports and Exports Control Department as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.6 of this report.

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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for 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.

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 and 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 express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 exercise professional judgment and maintain professional skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control, obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

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 were consistent with those of the previous year.
- (b) The recommendations made by me on the financial statements related to the previous year had been implemented.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>When foreign capital assistance is received in the form of materials and equipment for direct use in any specific project, the department should specify the rupee value of the grant based on the information in the documents related to those items. Where in cases, the said value is not realistic, it should be calculated and accounted for in consultation with the Director General of External Resources. However, actions had not been taken to account the issuance system of import licenses worth about USD 280,000 and related Computers worth at USD 19,100 which were received as a grant under the United States Embassy during the year under review.</p>	<p>The preliminary work related to the improvements of the system received as a grant to the department by the EXBS program operated under the US Embassy was completed in March 2024. The grant consists of computer system upgrades and related computer hardware. The ability to accurately account for the final financial value of this grant will be available after the completion of the improvements already underway and the delivery of the relevant hardware to the department. After the completion of the work, the actual value of the project can be calculated and the value is recorded for accounting purposes.</p>	<p>Value of the grant should be specified and accounted.</p>

2. Financial review

2.1 Revenue Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The initial estimate for license income was Rs.2,600,000,000 and the revised estimate was Rs.2,900,000,000 in the year under review. Therefore, a variation of Rs.300,000,000 was observed, which is a variation of 12 percent from the initial estimate. Thus, the need to forecast the estimates as</p>	<p>The revenue estimates for the year 2023 were prepared on the basis of the foreign exchange circumstances prevailing at the time of preparation of the initial estimate and this variation has arisen due to the revision of the revenue estimate after</p>	<p>The estimates should be predicted as accurately as possible while preparing preliminary estimates</p>

accurately as possible while considering the foreign exchange conditions prevailing in the mid of the year.

2.2 Expenditure Management

2.2.1 Recurrent Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) There was a saving of provision ranging from 8 per cent to 81 per cent of the net provision of 10 expenditure codes in recurrent expenditure in the year under review.	Agree with your observations.	In preparing cost estimates, they should be prepared as accurately and economically as possible.
(b) There was a variation in the range of 22 per cent to 37 per cent between the initial estimates and the revised expenditure estimates of 07 recurrent expenditure codes in the year under review. Accordingly, while preparing the preliminary estimates, the audit emphasizes the need to review the expenses of the previous years and forecast the expenses as accurately as possible.	Agree with the values and percentages given.	-Do-

2.2.2. Capital Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The variation between the initial estimates and the revised estimates for two capital expenditure subjects for the year under review was 86 per cent and 363 per cent	Agree with the values and percentages given.	In preparing cost estimates, they should be prepared and predicted as accurately as possible.

respectively. Accordingly, while preparing the preliminary estimates, the costs were not forecasted as accurately as possible.

- (b) There was a saving of provision ranging from 14 per cent to 63 per cent of the net provision of 05 capital expenditure objects for the year under review. Agree with the values and percentages given. -Do-

2.3 Non-compliance with Laws, Rules and Regulations

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

Observation				
Reference to Laws, Rules and Regulations	Amount	Non compliance	Comments of the Accounting Officer	Recommendation
	Rs.			
(i) Sub-Section 4:5 of the Chapter XXIV of Code of Establishment of the Democratic Socialist Republic of Sri Lanka	1,267,199	There was outstanding loan balance from 01 to 03 years' old amounted to Rs.223,269 and less than 1 year old loan balance amounted to Rs.470,177 to be collected from the retired officers. Further, there was an outstanding loan balance of Rs.335,753 which was more than 05 years old and a balance of Rs.238,000 which was old from 01 to 03 years related to the suspended	In a letter dated 08.09.2023, Sri Lanka Army Headquarters was informed to take necessary action from 14.08.2023 regarding a recovery of the property loan of the dismissed Management Service Officer. It was sent seeking legal advices about the actions to be taken in the future related to a distress loan balance of Rs.223,269 taken by a K.K.S. who left the position	Adherence to the regulations of the Code of Establishment is required.

		officers. Actions had not been taken to recover those loans as per the prescribed paragraph.	from 30.03.2022. Guarantors were informed to recover the loan of Rs.470,177.		
(ii)	Ministry of Finance Circular No. 5/2022 of 04 April 2022	3,038,690	Although, the Heads of Institutions have been advised to prevent misplacement and misappropriation of government property as well as to ensure that they are utilized to the maximum effect, contrary to that NISSAN SYLPHY type car with a cost of Rs.3,038,690 had been handed over to the Presidential Secretariat Office on 05 December 2022 without doing proper assets transfer between the institutes.	This vehicle has been temporarily handed over to the Presidential Secretariat Office.	Adherence to the provisions of the Circular is required.

3. Operational review

3.1 Vision and Mission

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the Objective, Vision and Mission of establishing the Imports and Exports Control Department by Act No. 01 of 16 January 1969, the necessary activities should be carried out to control the imports and exports that adversely affect the economy of Sri Lanka. However, actions had been taken to issue import	According to the objectives, vision and mission of this department, the import and export control that adversely affects the economy as well as the import and export control that adversely affects the country's security, public health and environmental conservation are also applicable. Accordingly, in order to control the import of	Under the Import and Export (Control) Act No. 01 of 16 January 1969, efforts should be made to control harmful imports and exports according to the objectives, vision, and mission established by the department.

licenses based only on the goods that may have an effect on recommendations made by the the above matters, governmental institutions related recommendations are obtained to each subject. Furthermore, it from one or several institutions was observed to audit that no that have expertise in the subject in recognized scientific method or the issuance of licenses. A co- procedure had been prepared to ordination is maintained by this fulfill the basic objectives of the department related to the methods and criteria followed by them in department and considering the giving those recommendations. collection of license fees as the main duty, forecasts of the country's total consumption for the Quality Control had been ignored.

3.2 Functions and Responsibilities of the Department

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The publication of gazette announcements containing regulations related to export control were also comprehended as the responsibilities and tasks of the department, it was only engaged in tasks related to import control and the audit did not observe that any regulations related to exports were issued after the year 2017.</p>	<p>This department controls the conditions affecting the country's economy by controlling the import and export of goods, as well as the control of conditions that are harmful to the country's security, public health and environmental conservation. There, more attention is paid to the import control as the most impact is on the goods imported into the country and only a few types of goods exported from the country have been subjected to export control according to the special gazette number 2044/41 and dated 2017.11.09.</p>	<p>Attention should be drawn to achieve assigned responsibilities and functions of the department.</p>

4. Good Governance

4.1 Implementation of the Directions given by the Committee on Public Accounts

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per the orders of the Interim Report of the Committee on Public Accounts submitted to Parliament on 23 November 2016 to recommend actions to be taken by and among stakeholders for improvement of collection of government revenue through effective information technology systems, "it was informed that plans should be made to obtain recommendation letters from the relevant institutions online while issuing licenses with the coordination of twenty-eight institutions", the recommendation had not been implemented even as at the audit date of 31 March 2024.	The basic work of software development related to the preparation of the computer system for issuing new licenses has been completed in March 2024 and interfaces have been created so that all recommending agencies can be connected with the system. Until the new system is used for issuing licenses when obtaining recommendations, the recommended agencies will send the recommendations directly to the department by e-mail.	Compliance to the directions stated in the Interim Report of the Committee on Public Accounts is required.
(b) Although, the Committee on Public Accounts held on 23 January 2024 had ordered to prepare a policy for the import of overdue vehicles and vehicles imported as components, such a policy had not been prepared. Although, it had been informed to follow up on spirits imported for pharmaceutical production, which was also not fulfilled.	The preparation of a national policy for the import of vehicles is carried out by a committee appointed by the Presidential Secretariat and after the release of the report, it has been noted for compliance with.	Compliance to the directives issued by the Committee on Public Accounts is required.
(c) A ship carrying containers of fish that was traveling from Sea Shells to Thailand had reached the Port Authority of Sri Lanka due to a technical fault in the sea area near the port of Colombo and the power supply had stopped. The department had issued a license to a local private company found by the local representative of the foreign ship to produce organic fertilizers from these fish	According to the instructions given by the Committee on Public Accounts, the field inspection committee including a representative of the Ministry of Finance, Economic Stabilization and National Policy conducted the field inspection on 2024.03.25, 2024.04.29 and 2024.04.30. The report with the details of the inspection is being prepared and after receiving the report, it	Compliance to the directives issued by the Committee on Public Accounts is required.

containers. The following has been noted for submission. directions were given by the It has also been further Committee on Public Accounts informed that the 15 containers held on 23 January 2024 which containing fish-waste that were were not fulfilled regarding the not used for the production of sale of these fish containers on 9 organic fertilizers will be March 2022. disposed of very soon after the approval of the Ministry of Health.

- Conduct a field visit and submit a report on how much fertilizer has been produced so far by the relevant institution that manufactures fertilizer using discarded fish parts.

- Investigate the 15 containers containing fish-waste not used for the production of organic fertilizers and take appropriate measures for disposal.