

Head 195 – Ministry of Industrial Export and Investment Promotion

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Industrial Export and Investment Promotion for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 the provisions of the National Audit Act, No.19 of 2018. In terms of Sub-section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Industrial Export and Investment Promotion was issued to the Chief Accounting Officer on 16 June 2020. In terms of Sub-section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 16 July 2020 to the Chief Accounting Officer. This report read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of Finance Circular, No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Ministry of Industrial Export and Investment Promotion as at 31 December 2019, 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

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 qualified opinion.

1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions mentioned in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as

the Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Ministry 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 of the Ministry.

As per Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and periodic reviews are carried out to monitor the effectiveness of such systems and accordingly make any alteration as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the 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 summary 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 exercise professional judgment and maintain professional scepticism 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 the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- 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.

I communicate with the Chief Accounting Officer with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on other Legal Requirements

As required by Section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) Financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements for the preceding year, had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>Expenditure incurred by other Ministries and Departments in the Imprest Adjustment account was Rs. 59,625,872. However, as the expenditure under F.R. 208 incurred by other Ministries and Departments according to the financial statements was Rs. 59,789,046 , a difference of Rs.163,174 was observed.</p>	<p>Financial statements should be prepared accurately.</p>	<p>Noted to check the difference shown.</p>

1.6.2 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with provisions in laws, rules and regulations observed during the course of Audit are analyzed and shown below.

Reference to Laws, Rules and Regulations	Observation	Non-compliance	Recommendation	Comments of the Chief Accounting Officer
(a) Financial Regulations 104(1), 104(3) and 104 (4) of the Democratic Socialist Republic of Sri Lanka	Regulations	The Preliminary Report which should be sent within 07 days and the full report which should be sent within 03 months relating to 04 motor vehicle accidents had not been submitted.	The relevant reports should be submitted on due dates in terms of provisions in Financial Regulations.	The actions have been taken to complete preliminary report and full report relating to motor vehicle accidents in future.
(b) Presidential Secretariat Circular No.CA/1/1/16/1 of 09 July 2010	Presidential Secretariat Circular	Seven officials of the Ministry had not submitted the reports which should be submitted in terms of the provisions of the circular during the stipulated time period after their return from the foreign tour.	Actions should be taken to submit the reports which should be presented in terms of the circular during the stipulated time period.	Actions have been taken to avoid such delays in future and relevant officers have been made aware on it.
(c) Public Administration Circular No.30/2016 of 29 December 2016	Public Administration Circular	Fuel consumption tests on 22 vehicles out of 24 vehicles of the Ministry had not been carried out .	The consumption of fuel of each vehicle of the government should be re-tested after a period of 12	Fuel consumption test of pool vehicles of the Ministry have been carried out .

months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first.

- (d) Asset Management Circular No.02/2017 of 31 December 2017
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| Four vehicles belonging to other parties had been used without a proper approval. | Vehicles without registered ownership should be registered under the name of the own institution with the consent of the institution which has the registered ownership or formally handed over to the institution which has the registered ownership. | Two vehicles had been sent to the relevant institution for taking over and it was noted to finish the matter relating to remaining two vehicles expeditiously. |
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2. Financial Review

2.1 Management of Imprest

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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A difference of Rs. 6,984 Million was observed between the imprest of the Ministry to be requested as planned and the ipmrest requested in the year under review and it is an increase of 395 percent out of the Imprest to be requested as planned. Moreover, A difference of Rs. 6,400 Million was observed between the imprest requested and the imprest received and it is a decrease of 73 percent out of imprest requested.	The imprest should be planned properly and should be requested as planned.	A such difference is made due to the fact that the imprest plan prepared in accordance with the circular is changed due to the receipt of additional provisions and the amount of imprest requested monthly is re-applied due to the non-receipt of the imprest properly.

2.2 Management of Expenditure

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Expenditure of net provision for 06 Recurrent Objects was Rs. 356,911,703.	Accurate estimates of expenditure should be prepared in terms of Financial Regulation 50.	The provisions had been saved as a result of reasons such as managing expenditure properly, addition of adjustment

Accordingly, being the savings of Rs. 90,283,797 it was in the range of between 11 percent and 100 percent.

allowance to the salary, non-presenting of expected contribution money for payment, problems in project implementation, non-receipt of imprest from the General Treasury properly.

- (b) Expenditure of net provision for 09 Capital Objects was Rs. 2,152,814,809. Accordingly, being the savings of Rs. 2,456,602,690 it was in the range of between 15 percent and 85 percent.
- Accurate estimates of expenditure should be prepared in terms of Financial Regulation 50.
- The capital provisions have been saved as a result of cutting off expenditure for non-prioritized projects and projects included in the budget proposals that have not yet been initiated in terms of Section 03 of National Budget Circular No. 5/2019 and cutting off of expenditure for non-essential office equipment.

2.3 Incurring of Liabilities and Commitments

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Liabilities of Rs.17,691,101 had been incurred, exceeding the savings of 20 Objects.	The value of liabilities should not exceed the savings.	Liabilities had to be incurred in such a manner for essential expenses and those which could not be delayed.

2.4 Issue and Settlement of Ad-hoc Sub-imprests

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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In terms of Financial Regulation 371(2) (B) revised by Public Finance	Ad-hoc sub-imprests should be given to the relevant officer on a nearest day to the specific task	The settlement of sub-imprests has been delayed for various

Circular No.03/2015 of 14 July 2015, ad-hoc sub-imprest should be given to the officer on the nearest date for the relevant specific task and the advance should be settled by the officer as soon as the task is completed. However, a period ranging from 35 days to 54 days had been spent for the settlement of ad-hoc sub-imprests amounting to Rs. 65,000 issued in 02 instances for 02 officers.

and the officer should settle the reasons and actions have been taken to avoid such situations in future.

3. Operating Review

3.1 Procurements

Audit Observation

Although Rs. 3,000,000 had been estimated for purchase of Laptop computers, Rs. 6,156,000 had been spent for purchase of laptops during the year under review. Accordingly, an increase of 105 percent had been observed in the actual expenditure compared to the procurement plan.

Recommendation

Estimates should be made accurately in case of planning procurement activities.

Comments of the Chief Accounting Officer

Laptop computers have been procured using the existed provisions with the purpose of getting duties performed by Development Officers recruited under the Graduate Recruitment Program more effectively and actions will be taken to avoid these situations as much as possible.

3.2 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Eight vehicles belonging to the Ministry had been registered under the name of other institutions and no action had been taken to take over those vehicles to the Ministry.	Actions should be taken to take over vehicles to the Ministry.	Necessary arrangements are being made to take over the relevant vehicles to the Ministry.
(b) Three vehicles belonging to the Ministry were released to the Ministry of Science, Technology and Research and the Ministry of Economic Reforms and Public Supplies.	Actions should be taken to transfer those assets in a proper manner so as not to hinder the achievement of the objectives of the Ministry in case of releasing vehicles.	Two cars on the official requirements of then State Minister and the other on the official requirements of the former Secretary to the Ministry were released and officials were instructed to take necessary actions to get the vehicles back to the Ministry.

3.3 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Although a committee was appointed in 2019 to select officers for foreign workshops, the committee	Selection of officers of the Ministry for foreign Training / seminars / trade exhibitions and workshops should be	Actions have been taken to avoid such situations in the future.

had not selected officers for done by the relevant foreign travels on six committee. occasions.

- (b) Rs. 1,988,918,307 had been paid during the year under review to the Road Development Authority, Provincial Road Development Authority, National Water Supply and Drainage Board and Ceylon Electricity Board for providing infrastructure facilities before acquisition of the lands for construction of Millaniya Export Processing Zone and without entering into written agreements. However, the project had been suspended due to legal action taken by an outside party in connection with the land proposed to be acquired for the construction of the Export Processing Zone.
- Action should be taken to make payments for infrastructure after land acquisition.
- Reply has not been given.
- (c) The Ministry had paid Rs. 499,333,030 to the Road Development Authority, National Water Supply and Drainage Board and Ceylon Electricity Board during the year under review without entering into written agreements for providing infrastructure facilities of Bingiriya Export Processing Zone
- That written agreements should be entered into before making payments.
- Draft agreements have been submitted to each institution and actions have been taken to enter into agreements in the future.

4. Achieving Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- Expected progress of 4 programs of Provide Infrastructure Facilities for Industrial Park in Millaniya, Establish Industrial Zone in Bingiriya, Provide Infrastructure facilities for Industrial Zone in Wagawatta and Multinational Corporation Outreach Program for Electrical and electronics Manufacturing Industry Included in the Action Plan of the Ministry under achievement of Sustainable Development Goals was less than 50 percent.	----- Action should be taken to achieve the expected progress for the planned activities.	----- The overall progress of the relevant projects could not be achieved as expected due to the reasons of Judicial proceedings, unexpected delays in connection with project activities, long delays in obtaining necessary approvals, non-receipt of funds from the Treasury as expected, delays in releasing proposed lands for such purposes, public opposition, adverse weather conditions, uncertainty of the observations given by the Ministry of Finance in connection with Cabinet decisions.

5. Human Resources Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
----- (a) The actual cadre was 236 and the number of vacancies was 70 as at 31 December 2019.	----- Action should be taken to fill the vacancies in the institution.	----- As 64 officers as graduate trainees are performing their duties in the Ministry and the Export Development Board and the regional offices,

District Secretariats and Divisional Secretariats attached to it, the vacancies can be filled only after they are confirmed in the relevant posts.

- (b) According to the training time frame of the year, the officers had not been participated in 03 training programs which were to be conducted for the officers of the secondary grade. Also, six training programs designed for junior grade officers were not directly related to the functions of those officers.
- The officers should be participated in the relevant training programs according to the training time frame of the year and the training programs should be planned according to the service requirements of the officers of each grade in case of planning the training programs.
- It was noted to take actions in accordance with those observations in the future and the officers were informed to be concerned on it.
- (c) Although in terms of paragraph 6.1 of Public Administration Circular No. 02/2018 of 24th January 2018, the Human Resource Development Plan should ensure at least 12 hours of training per year for every member of the staff of the institution, the number of officers who have not obtained any training during the year under review was 159.
- In terms of the circular, a training opportunity of at least 12 hours per year for every member of the staff of the institution should be ensured in the Human Resource Development Plan.
- The officers have been directed for the training opportunities provided by the government training institutes according to the assignment of duties of each officer and on the request of the respective officers, and an outbound training program had been planned for all officers.
- (d) Only 17 out of 236 officers had been trained by spending Rs. 209,000 out of the provision of Rs. 400,000 for capacity development during the year.
- In terms of the circular, a training opportunity of at least 12 hours per year for every member of the staff of the institution should be ensured in the Human Resource Development Plan
- A reply has not been given.

