

Head 244 - Department of Trade and Investment Policy

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Department of Trade and Investment Policy for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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. In terms of 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 Department of Trade and Investment Policy was issued to the Accounting Officer on 23 June 2021. In terms of Section 11 (2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 16 August 2021. This report which should be 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, the accompanying financial statements of the Department of Trade and Investment Policy give a true and fair view of the financial position of the Department of Trade and Investment Policy as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Unqualified 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 Chief Accounting Officer and Accounting Officer for the Financial Statements

The 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 in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine 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 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 of Department of Trade and Investment Policy.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists the Department of Trade and Investment Policy and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations 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 General'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 exercise professional judgment and maintain professional scepticism throughout the audit. I also:

Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.

- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's / Department's / District Secretariat's internal control.
- Evaluate the 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.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer 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

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
(b) The recommendations made by me relating to the financial statements of the preceding year, v had been implemented.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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Due to over-provisioning of Rs. 10,250,000 / - for 05 recurrent objects and 02 capital objects, Rs. 4,390,893, which ranged from 13 per cent to 54 per cent of the net allocation, was left after utilization during the year.	Agree with the observations. Rs. 500,000 under 2401 was allocated for the implementation of a practical training programme and no training programmes were conducted due to the Covid 19 epidemic.	Need to control over-provisioning through annual estimates

2.2 Incurring Commitments and Liabilities

Audit Observation	Comment of the Accounting Officer	Recommendation
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In terms of the paragraph 10: 1 of Public Finance Circular No. 02/2020, liabilities amounting to Rs 65,299, which had not been reported to the treasury contrary to the guidelines 3: 4 issued in relation to the preparation of financial statements for the year 2020, had not been settled during the year 2021.	Rs. 40,103 had been paid for the year 2020 in February 2021 under that object. It is the overtime allowance paid to the drivers for overtime work in addition to the approved overtime hours. Similarly, the amount of Rs. 4,250 paid for the	Should act in accordance with the circulars.

year 2020 under the object 1101 is for the payment of drivers' combined allowances and the relevant requests have been submitted in January 2021. Therefore, that amount is not specified as liabilities for the year 2020.

3. Financial Review

3.1 Performance

3.1.1. Planning

Audit Observation

Comment of the Recommendation Accounting Officer

In terms of the Financial Circular No. 2014/01 dated 17 February 2014, the Procurement Plan for the Annual Activities for the year under review had not been included in the submitted Action Plan.

The imprests requirement plan for the annual activities is included in the action plan. It was noted that the Annual Procurement Plan and the Internal Audit Plan to be included in the Action Plan in the coming year.

Should act in accordance with the circulars.

3.1.2 Non- performance of Functions

Audit Observation

Comment of the Recommendation Accounting Officer

(a) During the year under review, the Department had not made any financial or physical progress on the 02 Bilateral and Multilateral Trade Agreements i.e. BIMSTEC and SAFTA, which are currently in operation, signed by the Government of Sri Lanka.

It has been informed that several programmes planned for year 2020 under the SAFTA and BIMSTEC agreements had been postponed due to the Covid epidemic situation.

Steps should be taken to achieve financial and physical progress through trade agreements.

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| (b) | Even though provisions have been made for staff training during the year under review, no officer has been provided with training opportunities during the year. | The training programme could not be conducted due to the Covid 19 epidemic. | Action should be taken to provide training for the officers. |
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4. Human Resource Management

4.1 Approved Cadre, Actual Cadre, and Expenditure on Personnel Emoluments

Audit Observation	Comment of the Accounting Officer	Recommendation
The number of approved posts of the department is 62 and the actual staff is attached to only 53 posts. 09 posts are vacant and it was a 15% of the approved cadre. It was observed that there is 01 vacancy in senior level posts.	Requests have been made by the Ministry of Finance on several occasions to fill these vacancies. Even though vacancies were filled from time to time at the primary, secondary and tertiary level, there were recurrent vacancies due to internal transfers to the Customs Department and other divisions under the Ministry.	Take action to maintain the approved cadre by the department based on the service requirements