

Head 244 - Department of Trade and Investment Policy

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Department of Trade and Investment Policy for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021, 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 summarized reports on the financial statements of the Department of Trade and Investment Policy to be submitted in terms of the paragraph 11(1) of the National Audit Act, No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 02 June 2022. The detailed management report of Department of Trade and Investment Policy to be submitted in terms of the paragraph 11(2) of the National Audit Act No. 19 of 2018 had been submitted to the Accounting Officer on 05 August 2022. This report in pursuance of provisions in Article 154 (6) of the Constitution read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

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 as at 31 December 2021, and its financial performance and cash flows 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 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, had been implemented.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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According to the Imprest Requirement Register prepared by the Department, imprest amounting to Rs.5,965,000 had been estimated for the month of December in the year 2021. Imprest amounting to Rs.10,848,000 had been requested by exceeding the imprest estimate planned by the Department in the same month.	The number of vouchers forwarded for the payment in the first quarter of the year 2021 was limited due to calling of officers in minimum number of days to the service according to the Public Administration Circular No.02/2021(V) dated 01.10.2021. As such, due to forwarding of excess vouchers in November and December months in the last quarter of the year 2021 for the payment, imprest variation has been shown. However, it has been occurred within the limit of the annual provisions allocated to our Department.	An accurate estimate should be done when requesting imprest required from the Treasury for fulfilling of the duties of the Department .

2.2 Expenditure Management

The following observations are made

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Idling of Provisions The total net provision amounting to Rs.2,450,000 which has been provided for 02 Objects had been totally saved due to no any utilization done in the year under review.	According to the decision of the Cabinet of Ministers No.21/1596/304/134 and dated 21.08.2021, actions has been taken to save the provisions allocated for the department, the total provisions of the Objects was saved due to non- participation of the officers for foreign travels due to Covid 19 pandemic situation.	Annual expenditure estimates should be prepared accurately and actually in terms of Financial Regulations 50.
(b) Making Over Provisions As over provisions totaling of Rs.56,402,500 for 09 Recurrent Objects and 02 Capital Objects had been provided , provisions totaling Rs.13,564,321 had been saved after utilization of the same provisions. The same saving had been ranged between 14 per cent to 98 per cent of the provisions provided for each Objects.	Provisions has been saved due to the reasons such as Revenue Conservation Ordinance was not printed as planned, saving of provisions according to the decision No.අම/21/1596/304/134 dated 30.08.2021 of Cabinet of Ministers, Limit of official travels due to Covid 19 pandemic situation, due to the minimum use of machineries, officers engaged in over time at a minimum level, vacancies in the drivers' service not filled as expected, saving of transport allowances due to non- completion of vacancies in the Director post, non conduction of practical training programmes and transferring of the officers who obtained property loans.	Annual Expenditure Estimates should be prepared accurately and realistically as per Financial Regulations 50.
(c) Acquisition of Physical Assets Even though a value amounted to Rs.2,413,494 had been shown as construction or purchase of physical assets and acquisition of other investments as the expenditure of money of the cash flows generated by investment activities in the cash flow statement for the year ended 31 December 2021, the net cash flow	Budget provisions for capacity building has been granted under Object 2401. Accordingly, it is a Capital Expenditure which is not in the recurrent nature. Accordingly, the expenditure incurred in the human resources investment is brought to account under the Object of 2401 and shown as an expenditure incurred on investment activities.	The expenditure shown in the Statement of Financial Performance or Cash flow Statement as acquisition of physical assets , should be brought to account under financial and non-financial assets in the Statement of Financial Position.

generated by investment activities had been shown overstated by Rs.10,000 due to the same value for the year under review amounted to Rs.2,403,494.

2.3 Non- Compliance with Laws, Rules and Regulations

 The following observations are made.

Audit Observation		Comments of the Accounting Officer	Recommendation
Reference to Laws, Rules and Regulations	Non-compliance		
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(a) Financial Regulation 1646	The daily running charts and monthly summaries of the pool vehicles belonging to the Department, had not been forwarded to the Audit.	Agreed with your observations and actions will be taken to forward for 2022 the daily running charts with the original copy of the monthly summary to the Auditor General.	Action should be taken in terms of Financial Regulations.

(b) Financial Regulation
104 (I)

Action in terms of Financial Regulation 104 in connection with the accident occurred on 03 September 2021 to the Cab vehicle of the Department, had not been taken.

The preliminary report FR 104(3) has been sent. In addition to that, the final report could not be completed before 03.12.2021. Even though the same examination report delayed due to the risky condition prevailed in the country and sickness of subject clerks, action has been taken to prepare the final report and forward to the secretary.

Action should be taken in terms of Financial Regulations

(c) Financial Regulations
110,1645(a), and
1647(e)

Vehicle Log Books, Losses and Damage Register and Vehicle Register had not been updated and maintained in the year under review.

As an administration officer is not available and the subject clerk was suffered from corona, the officer who prepare Losses and Damage Register was suffered from Dengue fever, unable to check the log entries and keep notes in Losses and Damage Register. I inform that the relevant activities are carried out properly at present by correcting those defects.

Books and Registers should be maintained properly in terms of Financial Regulations

<p>d) Guideline No.2021/3 dated 26 November 2021 of Department of Public Accounts.</p>	<p>Basis for reporting had not been revealed in financial statements</p>	<p>As your observation, “Basis for Reporting” which should be presented with Financial Statements had not been revealed in the year 2021 and necessary advise has been given to relevant officers to do the necessary corrections from the year 2022.</p>	<p>Action should be taken in terms of the Guidelines of the Department of Public Accounts.</p>
<p>(e) Paragraph 7.6 of the Guideline No. 2021/03 dated 26 November 2021 of the Department of Public Accounts.</p>	<p>Financial Statement (ACA-C) should have been prepared by applying direct method considering both sections which are cash and cross entries. When preparation of the Cash Flow Statement of the Department, it had been considered that only receipt of advances in cash and payment of advances in cash. Accordingly, payment of advances had been amounted to Rs.4,745,908 and receipt of advances amounted to Rs.4,474,982 according to the combined detailed trial balance. However, it had been Rs,3,025,214 and Rs.2,754,288 respectively in the Cash Flow Statement. As such, the value of receipt and payment of advances had been understated by Rs.1,720,694.</p>	<p>Action will be taken in future to prepare and present the cash flow statement by including necessary amendments in accordance with the instructions given by the Guideline of the Department of Public Accounts</p>	<p>Action should be taken in terms of the Guidelines of the Department of Public Accounts</p>

(f) Paragraph 6.1 of Public Administration CircularNo.02/2018 Dated 24 January 2018.

Even though provisions amounting to Rs.700,000 had been provided for the staff training in the year 2021, training opportunity had been provided for only one officer during the year out of 48 employees of the Department.

According to the Cabinet Decision dated 30.08.2021, the provisions allocated for the Department had to be saved and unable to conduct outstation training programmes due to Covid 19 pandemic situation.

Action should be taken in terms of the provisions of Circulars.

(g) Paragraph 1.1.7 of National Budget Circular No.118 dated 11 October 2004

Action had not been taken in terms of the provisions of the Circular, relevant to the loan balance totalling amounted to Rs.797,731 of one officer who transferred out to the Department and 03 officers who transferred in .

Contacting those officers was problematic due to Covid 19 pandemic situation and it was taken such time period to settle the loans due to interruptions occurred to the regular duties . As such agree with your observations. As aresult of that, action could not be taken in accordance withSection 1.1.6 of the Budget Circular No.118.

Action should be taken in terms of the provisions of Circulars.

2 Operating Review

3.1 Non-achieving of Expected Output Level

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) The following 4 multi-sectoral Trade Agreements such as Sale of Goods, Sale of Services, Investment and Custom solidarity which have been proposed in a manner to cover the other trade sectors also, were at a discussion level from the year 2015 even upto the end of the year under review. Action had not been taken to reach a financial or physical progress by signing those Agreements even at the end of the year under review.</p> <p>(i) Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.(BIMSTEC)</p> <p>(ii) Economic and Technical Cooperation Agreement (ETCA)</p> <p>(iii) Proposed China Sri Lanka Free Trade Agreement (CSFTA)</p> <p>(iv) Sri Lanka Thailand Free Trade Agreement(SLTFTA)</p>	<p>The observations/comments on draft concept paper of this Department relevant to the BIMSTEC Development Fund for carry out exploration of the ability of establishing BIMSTEC Development Fund (BDF) with the voluntary contribution of the BIMSTEC member countries relevant to the multi-lateral Agreement for Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation and for the use of research and plans , has been presented to the Foreign Ministry by this time.</p> <p>Elevanth discussion round on general provisions and trade business under India-Sri Lanka Economic and Technical Cooperation Agreement has been conducted on October 2018.</p>	<p>Action should be taken to enter into the Agreements without delay.</p>
	<p>Future actions relating to Proposed China Sri Lanka Free Trade Agreement is being reviewed.</p> <p>The reports on the benefits of Sri Lanka Thailand Free Trade Agreement has been studied by this time. Carrying out future activities on the same Agreement should be done after conducting a review.</p>	

As such, as a special financial cost is not incurred for the activities relating to International Trade Agreements, the financial progress relating to that could not be mentioned. The physical progress of these Trade Agreements depends on the facts agreed by the member countries as multi-lateral.

At the instances of facts enquired by the member countries, the required information therein and participation has been provided completely by this Department. Action should be taken to table in Parliament in accordance with plans.

The information on the customs duties written off under Section 19(a) of the Customs Ordinance from 01 January 2021 to 31.12.2021, has been forwarded for tabling in Parliament by the Gazette Extra Ordinary No.2273/74 dated 31.03.2022.

(b) According to the main functions of the Department, write off, renunciation of customs duties and the duties relating to provide customs duty reliefs, in accordance with the provisions mentioned in Section 19(A) of the Customs Ordinance and in accordance with State policies should have been done by this Department. Action had not been taken to table the Regulations included in the Gazette published in the year 2019 relating to the said activities, even at the end of the year under review, in Parliament.



3.2 Management Weaknesses

The following observations are made.

Audit Observation

Even though the performance reports of the Department should be included into the web-site of the Department and updated, the performance report of the year 2020 had not been displayed in the web-site even as at 29 April 2022.

Comment of the Accounting Officer

As unable to co-ordinate the entering of the performance report of 2020 due to the officers performed duties from home during the period of Covid 19 existed, the same task was delayed. Action will be taken to correct that error and avoid such delays in future.

Recommendation

Web-site should be updated and maintained.

4. Human Resources Management

The following observations are made.

Audit Observation

The approved cadre as at 31 December 2021 in the Department was 64 and 16 posts out of that has been remained vacant. Among those vacancies, there were 05 posts in Senior Level and 06 posts in Primary Level.

Comment of the Accounting Officer

The Ministry of Finance has been aware regarding the vacancies and action is being taken to fulfil remaining vacancies.

Recommendation

Action should be taken to fill the vacancies essential for fulfilling the duties of the Department and if there are posts not as such, revise the approved cadre.