

Head- 244 Department of Trade and Investment Policy

1. Financial Statements

1.1 Opinion

Head - 244 The audit of the financial statements of Department of Trade and Investment Policy for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and cash flow statement 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 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 27 May 2024. The detailed management report of Department 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 30 July 2024. 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 2023, 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 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 on the financial statements for the preceding year had been implemented.

2. Financial Review

2.1 (a) Increasing the provisions

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that the provision had been increased by the total is Rs.4,537,200 as per F.R. 66 and supplementary provisions due to insufficient estimated provision of 04 expenditure subjects.	The increase in allocation has been done with the approval of the Department of National Budget.	Actions should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Financial Regulation 50.

(b) Transfer of provisions

Audit Observation	Comments of the Accounting Officer	Recommendation
The total of Rs. 1,861,210 which is balance of the estimated allocations related to the 02 expenditure subjects had been transferred to other expenditure subjects under F.R.66.	Arrangements have been made to transfer the balance of provisions under the expenditure heads 1001 - Salaries and Emoluments and 1506 - Interest on Distress Loans to Public Employees to other insufficient expenditure heads as per Financial Regulation 66.	Actions should be taken to prepare the annual expenditure estimates correctly and accurately in accordance with Financial Regulation 50.

3. Operational Review

3.1 Performance

3.1.1 Failure to perform duties

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) South Asia Free Trade Agreement (SAFTA)</p> <p>Sri Lanka had signed the South Asian Free Trade Agreement (SAFTA) in 2005 with the participation of 8 SAARC countries. Although the tariff reduction of 7.5 percent and 6 percent applicable to the 50 customs codes (of 8 digits) prepared under the second phase final segment of the trade liberalization program of this trade agreement is proposed to be reduced to 5 percent by December 2018, which had not been fulfilled by 23 July 2024.</p>	<p>The Minister of Finance had submitted the Cabinet Memorandum No. MF/TIP/09/CM/2014/188 and dated 11.06.2019 to reduce the rate of preferential duty to 5% limit. The Cabinet of Ministers has not yet decided to implement the proposals presented by the Cabinet Memorandum and since the discussions related to this agreement did not take place with the participation of its member countries, I would like to inform you that these activities have been temporarily stopped.</p>	<p>Actions should be taken without delay for agreements beneficial to the country.</p>
<p>(b) Bangladesh - Sri Lanka Preferential Trade Agreement (BS-PTA)</p> <p>the Cabinet of Ministers had approved the commencement of negotiations regarding the conclusion of a preferential trade agreement between Sri Lanka and Bangladesh On 14 June 2021. According to the data presented in relation to that work from the year 2016 to the year 2020, the trade between Sri Lanka and Bangladesh had achieved good trade balances and a high import coverage</p>	<p>Negotiations regarding this agreement are ongoing and it will be decided according to the agreement between the two countries.</p>	<p>Actions should be taken to enter into agreements according to the consents given without delay.</p>

ratio. Accordingly, an agreement was reached for a work plan (Work Plan) related to the signing of the Preferential Trade Agreement (BS-PTA) between Bangladesh and Sri Lanka. Although the signing of the agreement between the two countries was scheduled for January 2022, it will not signed by 23 July 2024.

(c) China -Sri Lanka Free Trade Agreement

Negotiations regarding reaching an agreement on the China-Sri Lanka Free Trade Agreement started in 2014 and continued until 2017. Later, the Cabinet of Ministers had decided to start negotiations again in the year 2022 and it was observed that the negotiations were still at the same level as on 31 December 2023.

This proposed agreement is a bilateral agreement between China and Sri Lanka and I would like to inform you that the International Trade Office (ITO) is currently conducting the necessary activities to hold the 07th round of negotiations based on the agreement between the two countries.

According to the needs of the country, arrangements should be made to enter into agreements without delay.

3.2 Procuments

Following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>In accordance with the Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the State E-Procurement System to Public Institutions, the use of the E-Procurement System for price comparison should be done by all Public Institutions. However, the department procured procurement items totaling Rs.941,291 in 14 cases without using the e-procurement system in the year 2023 without proceeding as per the above circular.</p>	<p>I further inform that in the future, the necessary activities will be done to use the state e-procurement system in the procurement of goods under the market pricing system.</p>	<p>Actions should be taken to proceed in terms of the relevant circular.</p>

4. Human Resource Management

(a) Attached Staff and Actual Staff

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 64 approved posts in the department and no action had been taken to fill the vacancies of 03 secondary level posts or to revise the number of approved posts till 30 June 2024.	It is kindly inform that necessary arrangements are being made to fill the vacant positions soon.	Actions should be taken to duly proceed to fill up vacancies or make changes in the approved staff.