

1 Financial Statements

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1.1 Unqualified Opinion

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The audit of the financial statement of the Trade and Investment Policy Department for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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. The summary report including my comments and observations on the financial statements of the Trade and Investment Policy Department was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018, and the Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 31 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Trade and Investment Policy Department as at 31 December 2018, 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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 for the Financial Statements

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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.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and carry out periodic reviews to monitor the effectiveness of such systems 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

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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 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 Department'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 Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

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I express the following matters in accordance with Section 6 (d) and Section 38 of the National Audit Act, No. 19 of 2018.

Since there was no requirement for the Trade and Investment Policy Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 2. Financial Review

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### 2.1 Expenditure Management

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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a) The saving in 3 capital Objects ranged between 9-12 per cent whilst the saving of one Object was 100 per cent.	Action should be taken to prepare the estimates in a realistic manner.	Agreed with the observations.
b) The saving in 05 recurrent Objects ranged from 21 per cent to 73 per cent of the net provision.	- Do.	Although provision had been made on the duties relating to the preparation of budget proposals, those activities did not take place as expected. As against the preceding year, foreign training opportunities had not been provided for the officers as expected.

## 2.2 Incurring Commitments and Liabilities

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The following observation is made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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The total of liabilities relating to 04 Objects, amounted to Rs. 379,431, Rs. 87,850, and Rs. 481,951 as per the Appropriation Account, statement of liabilities, and the vouchers respectively.	Action should be taken to identify correctly, and show in the accounts.	The Register of Liabilities has been updated.

## 2.3 Responsibilities of the Accounting Officer

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In terms of provision set out in Section 38 of the National Audit Act, No. 19 of 2018, the Chief Accounting Officer should have ensured the following matters. But, it had not been done so.

Observation	Recommendation	Comment of the Department
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The Chief Accounting Officer and the Accounting Officer should ensure the existence of an effective internal control system for the financial control of the Department, and periodic reviews should be carried out to monitor the effectiveness of such systems by making any alternations as required for such systems to be effectively carried out. Such reviews should be made in writing, and a copy should be presented to the Auditor General. However, no statement was made	Action should be taken in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018.	Replies relating to imprest management, expenditure management, deficiencies in incurring liabilities and commitments, and non-compliances with laws, rules & regulations, are presented under 2.1, 2.2, 2.3, and 2.5 respectively. Accordingly, it is not agreed with the audit observations.

available to audit that such a review had been carried out.

### 3. Operating Review

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#### 3.1 Planning

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The following matters were not included in the Action Plan presented in terms of Public Finance Circular, No. 2014/01, dated 17 February 2014.

Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Particulars relating to the organizational structure of the Department updated for the year under review , approved cadre, & the existing staff, and the imprest plan for the annual activities.	The Action Plan should be prepared in accordance with the relevant Circular.	Agreed with the observations. Action will be taken to present the information requested to be included in the Action Plan for the year 2018.

#### 3.2 Failure to Perform Duties

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The following observation is made.

Observation -----	Recommendation -----	Comment of the Accounting Officer -----
As for the key functions of the Department, it was revealed that the Trade and Investment Policy Department was involved in writing off & omission of duties and granting duty waivers in accordance with provisions of Section 19 (a) of the Customs Ordinance and Government policies. However, publishing information relating to	Action should be taken to publish on the Gazette the particulars relating to writing off & omission of duties and granting duty waivers in accordance with the relevant provisions and Government policies.	Instructions have been issued to the Department of Customs that the deficiencies in the information sent to the Department of Customs relating to the duties written off in the year 2017 under Section 19(a) of the Customs Ordinance should be corrected before being presented again. As soon as the corrections are completed, action will be taken to issue the Gazette.

duty waivers given on the Gazette thereby tabling in Parliament had not been done from 31 December 2016 up to the date of audit, 10 May 2019.

4. Achievement of Sustainable Development Goals

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The following observation is made.

Observation -----	Recommendation -----	Comment of the Accounting Officer ----- ----
The Department should have drawn their attention on 17 sustainable development goals that should be achieved during the period of 2015-2030. However, plans including the Action Plan for the year 2018, had not been prepared in accordance therewith.	By paying attention on the sustainable development goals to be achieved, Action should be taken to achieve those objectives promptly.	As mentioned in the observations relating to the management audit report of the year 2017, it is informed that this Department does not directly involve in the achievement of sustainable development goals, but, by facilitating the other institutions to achieve such goals, the Department indirectly contributes to the achievement of sustainable development goals. As such, the activities mentioned in the Action Plan of the Department for the year 2018, do assist various public institutions to achieve their sustainable development goals.

5. Human Resource Management

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The following observation is made.

Observation -----	Recommendation -----	Comment of the Accounting Officer ----- ---
Twelve posts of the Department remained vacant representing 19	Action should be taken to properly make recruitments to the	Of the vacancies existed as at 2018.12.31, only 07 vacancies including 03 vacancies in the

per cent of the approved vacant posts of the senior level, remain at present. Approval of the Public Service Commission has been obtained to make recruitments for the 02 posts of Duty Analyzer.

cadre. Four posts of the Department. senior level existed in the vacancies.