

Head 244 – Department of Trade and Investment Policies

1. Financial Statements

1.1 Opinion

Head 244 - The audit of the financial statements of the Department of Trade and Investment Policies for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 containing my comments and observations on the financial statements of the Department of Trade and Investment Policies was issued to the Accounting Officer on 28 April 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report pertaining to the Department was issued to the Accounting Officer on 28 June 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, the financial statements prepared give a true and fair view of the financial position of the Department of Trade and Investment Policies as at 31 December 2022 and its financial performance and cash flow 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 evidences I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Accounting Officer.

As per 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.

The Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Department in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of 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 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 exercised professional judgment and maintain professional skepticism 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 its internal control.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- 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.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements are in consistent with those of the preceding year.
- (b) The recommendations made by me regarding the financial statements of the preceding year had been implemented.

2. Operating Review

2.1 Performance

2.1.1 Progress of Performing of Tasks

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although discussions were carried out with the relevant parties to enter into 4 proposed multilateral and bilateral trade agreements covering other trade sectors such as trade in goods, trade in services, investment and customs cooperation and also 07 years had elapsed from 2015 as at the end of the year under review, entering into relevant agreements had not been completed	The proposed BIMSTEC agreement is a multilateral agreement covering 7 countries including Sri Lanka. The planning and implementation of the Trade Liberalization Programme with the agreement of the member countries of the agreement in relation to the trade and investment sector together with the Department of Commerce is connected to this Department. Accordingly, although this Department has completed all the activities related to the process of easing the customs duty policy on the part of Sri Lanka and submitted it to the Department of Commerce, as this is a proposed multilateral agreement between seven countries covering several areas, there is no possibility of	Actions should be taken to enter into agreements without delay.

unilateral termination of this Agreement without the participation and consent of all parties.

The Economic and Technology Cooperation Agreement (ETCA) began in the year 2015 and the first round of discussions had been held in August 2016. An 11 rounds of discussions have been held in connection with this agreement by now.

As the proposed China Sri Lanka Free Trade Agreement (CSFTA) is a bilateral agreement between China and Sri Lanka and there is no possibility of unilateral termination of this Agreement without the participation and consent of both parties.

The discussions on the proposed Sri Lanka-Thailand Free Trade Agreement are in the preliminary stages and the agreement can be entered into only after both parties reach an agreement.

(b) Performance Indicators

The activities on the data sheet proposed to be prepared for use in internal affairs under the issuance of Tariff Guidelines for exports by the Department of Trade and Investment Policy had not been completed even by the end of the year under review.

The preliminary works related to this activity had been done and the activities are expected to be completed in the year 2023 .

Actions should be taken in accordance with plans.

(c) Physical Progress of the Action Plan

It was observed that a physical progress had not been made as planned in relation to 10 tasks/policies and 18 related outputs and indicators mentioned in the Action Plan of the year under review.

It is agreed that there are several cases where physical progress has not been made during the year under review regarding the output/ indicator of some of the functions/ policies that you have observed.

Actions should be taken in accordance with plans.

It is kindly informed that there are cases where the output/indicator etc. specified in certain years are not fulfilled 100 per cent as expected.

3. Human Resources Management

Audit Observation

There were 64 approved posts in the Department and out of which, 08 posts were in vacant. Within those vacant posts, there were 02 tertiary level posts, 03 secondary level posts and 03 primary level posts.

Comments of the Accounting Officer

It is kindly informed that the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government has been informed about the vacancies in the year 2022 related to the combined service and that there was a delay in filling up the vacancies due to failure of carrying out recruitments.

Recommendation

Arrangements should be made to take formal actions to fill up the vacancies or to revise the approved cadre.