

Head 187 - Ministry of Investment Promotion

1. Financial Statements

1.1 Opinion

Head 187-The audit of the financial statements of the Ministry of Investment Promotion for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, 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 summery report containing my comments and observations on the financial statements of the Ministry of Investment Promotion was issued to the Chief Accounting Officer on 25 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 23 May 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements of the Ministry of Investment Promotion give a true and fair view of the financial position of the Ministry of Investment Promotion as at 31 December 2022, 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 for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

The Chief Accounting Officer are 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 the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry 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

My objective is to provide 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 summary 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As a part of the audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism 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 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 Chief Accounting Officer regarding the significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Comments on Financial Statements

1.5.1 Accounting Deficiencies

(a) Capital Expenditure

The following deficiencies were observed in accounting capital expenditure relating to the financial statements.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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In the cash flow statement prepared as per ACA- C format, Surcharge balances amounting to Rs. 411,378 relating to each expenditure heads had been recognized separately as surcharges as cash flow generated from operating activities.	It was agreed with the matter mentioned in this paragraph. The amount of Rs. 411,378 mentioned as Surcharge was the Surcharge made for our Expenditure Heads and mistakenly, it was mentioned as Surcharge in Cash Flow Statement.	The expenditure should be correctly classified and presented in Cash Flow Statement.

(b) **Advance Account for Winding up Operations**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Since it was observed in Audit that the amount which had been reimbursed without spending from every interim imprest issued by the Ministry for various functions had exceeded 50 percent out of the issued amount, a misuse of money was further observed in issuing interim imprest without accurate estimate.	It was accepted that the imprest had been taken without accurate estimation when taking the interim imprest for various functions. In future, the officers were instructed to estimate accurately and take interim imprests when taking the interim imprest for various functions.	The estimates should be prepared accurately.

(c) **Deposits**

The following deficiencies were observed in the payment of deposits and accounting for balances relating to the financial statements.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
An amount of Rs. 912,678 had been recognized as the balance as at 01 January 2022 in the Statement of Deposit Accounts as at 31 December 2022 prepared according to the ACA-4 format. Since this ministry was the Internal Affairs Division of the State Ministry of National Defense and Disaster Management which had been established as a new Ministry by the date of 01 October 2022, the deposit amount of Rs.912,678 relating to the then Ministry had been recognized as opening	Accepted. An error had been occurred due to the presentation of Balance of General Deposit Account as the opening balance in books of the Ministry and as debit and credit in passing journal entries when opening balances transfer on the separation of Ministries after the 30 September 2022. However, there was no difference in the closing balance and the officers were instructed to	The formats should be prepared properly.

balance of this Ministry and however, it had been identified as deposit receipts in Treasury books. Therefore, the deposit receipts identified as receipts not income in Statement of Financial Performance prepared according to the ACA-F **Format** had been understated by Rs. 912,678. Further, Statement of Imprest Reconciliation prepared according to the ACA-7 format was overstated by the same amount.

maintain the accounts properly by the year 2023 onwards. Further, it was kindly mentioned that the relevant differences had been occurred in Statement of Financial Performance prepared according to ACA-F **format** due to the adjustment error done with relevance to General deposit account.

(d) Non-maintenance of Registers and Books

Some of the following documents had not maintained by the ministry and it was observed during the sample audit that some of the documents had not maintained properly and up- to -date.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(i) A register of security including the information as mentioned in the Financial Regulation 891(1) with regards to the officers who should kept security had not been maintained.	The arrangements would be done to maintain a register of security as per Financial Regulation 891(1).	The registers should be maintained as per the Financial regulations.
(ii) The Register of Approved credit (C.C.10) had not been maintained as per the instructions of maintaining the Register of Approved credit.	The instructions had been provided to maintain the Register of Approved credit as per the instructions of maintaining the Register of Approved credit.	The arrangements should be done to maintain the Register of Approved credit as per instructions.
(iii) A register for Overtime works had not been maintained as per the standard format for Overtime.	The instructions had been provided to maintain a register for Overtime as per the standard format	A register for Overtime works should be maintained as per the standard format.
(iv) A credit control account had not been maintained.	The instructions had been provided to maintain a register for credit control account.	A credit control account should be maintained.

2. Financial Review

2.1 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observation	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
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(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka	The Circular No. 8/97 dated 03 February 1997 issued by the Secretary to the Ministry of Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs and Section 7.1 of Chapter VIII of Establishment Code.	Even though the Overtime payment had been limited to maximum 20 hours per month, payment had been made for 4 posts exceeding maximum limit of 20 hours of Overtime and the approval for exceeded number of Overtime hours regarding to these each post had not been obtained within the year under review. An amount of 100 hours for the posts of K.K.S and Management assistants and 80 hours for Development officers and 150 hours for Drivers had been provided as the number of Overtime hours entitled per months.	The instructions had been provided to the officers to prepare the registers according to the Circular No. 19 relating to Overtime and to obtain relevant approval.	Arrangements should be made in accordance with the Circulars.

(b) Financial
Regulations of the
Democratic Socialist
Republic of Sri
Lanka

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- (i) Financial regulation 315 As the Chief Accounting Officer, even though every Department Head should ensure that the officers who should keep the security have been keeping the security, the Ministry had not performed as accordingly. It has been instructed to perform as per Financial regulations. Arrangements should be made as per Financial Regulations.
- (ii) Financial regulation 756 (6) It was not performed as per the time frame of carrying out and completing the annual Board of Survey. It had been instructed the relevant officers to perform all the functions within the due time frame as per the Circular with regards to Board of Survey and reporting in future years. Arrangements should be made as per Financial Regulations
- (iii) Financial regulation 880 Officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account had not kept securities in accordance with the Public Officers (Security) Ordinance (Cap. 612). It had been instructed to perform as per Financial Regulations. -do-

- (iv) Financial regulation 881 Even though an officer has been recruited or transferred to a post for which should kept the security and such officer should kept the security within 2 months from the date of appointment or transfer, it was not identified the officers who works at such posts and should have kept the security -do- -do-

3. Operating Review

3.1 Planning

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

The Procurement Plan for the year 2022 had not been prepared as per the Section 03 and 04 of the Public finance Circular no. 02/2020 dated 28 august 2020.

It was accepted that the Procurement Plan had not been prepared for the year 2022. The procurement Plan for the year 2023 had been prepared and approved.

Arrangements should be made in accordance with the Circulars.

3.2 Assets Management

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

- (a) The assets amounting to Rs.56,116,974 which was under the head of the Ministry of National Defense (447) had been transferred to new head (187) as per the

It was instructed to re- value and accounts for all the assets due to difficulty of rectifying the Transfer Note which was duplicated as entered into the CIGAS

Arrangements should be made in accordance with the Circulars.

instruction mentioned in the Circular No. 06/2022 and an amount of Rs. 61,460,914 had been recorded as new valuation when the assets of new Ministry had been entered into CIGAS programme. The difference of Rs.2 ,649,140 between book value and valuation of such transferred assets according to the Section 8.1.5. in Part II of Public Finance Circular No. 01/2020 had been entered into the accounts without a proper approval.

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| (b) | The Assets amounting to Rs.2 ,694,800 which were identified as above in New Capital Assets had been recognized as the assets of the Ministry without any approval. | All the assets mentioned here were the assets which had been purchased and transferred to State Defense Division and the institutions under that at the time period of carrying out the accounting by us. | The assets should be accounted for subject to the relevant approvals. |
| (c) | There were 9 vehicles with the Ministry that as one vehicle purchased/transferred in 2004, 3 vehicles purchased/transferred in 2007, 4 vehicles purchased/transferred in 2011 and a Bajaj motor cycle purchased/transferred in 2013 and even though it had spent a period of 06 months from initiating the Ministry, such vehicles were not registered under the name of Ministry. Further, the 5 vehicles which was provided on temporary basis by the Finance Ministry for personnel of the Minister has been in use and arrangements had not been made to register under the name of enterprise or re- transfer by requesting Comptroller General with regards to this. Accordingly, it was observed to Audit that the assets have been under custody in contrary to the Circulars issued by Comptroller General with regards to assets in time to time. | It had been initiated to register the vehicles owned by the Ministry, transfer the ownership and to transfer the vehicles provided on behalf of the Minister's Personnel properly to the Ministry in accordance with the circulars. | Arrangements should be made in accordance with the Circulars. |

4. Good Governance

4.1 Internal Audit

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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According to the Financial Regulation 133 and the Section 40 of Audit Act no 19, 2018, the ministry had not appointed an Internal Auditor and established and carried out an Internal Audit Unit.	Even though appointing an Internal Auditor was not done since the year 2022, Internal Audit Division had been established under new Internal Audit Officer in the year 2023.	Arrangements should be made in accordance with the regulations of Financial Regulations and National Audit Act.

4.2 Audit and Management Committee

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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According to the National Audit Act, no. 19 of 2018, it had not been appointed an Audit and Management Committee and held meetings.	It was kindly informed that the meeting of Audit and Management Committee had been held for first quarter in the year 2023.	Arrangements should be made in accordance with the regulations of National Audit Act.

5. Human Resource Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) There were 17 vacancies as 03 vacancies at Senior level, 08 vacancies at tertiary and secondary level and 06 vacancies at primary level.	The Ministry of Investment Promotion had been established since 01 October 2022 according to the Budget Circular No. 06/2022 and by including the 442- State Ministry of National defense, and Disaster Management internal affairs Programme which inclusion in the programme of the 187 - Expenditure Head of Ministry of Investment Promotion, the officers assigned to that division had been considered as the cadre of the Ministry of Investment Promotion.	The approved cadre should be revised appropriately after a proper study.
(b) The cadre of the internal affairs Division of State Ministry of National defense, and Disaster Management was superseded by the letter of Management Service Department dated 24 January 2023 with the heading of designing new posts and filling the vacancies and an amount of 72 had been approved for the cadre with regards to 21 posts for the Ministry of Investment Promotion. However, the Development Officer who employed at 305 Divisional Secretaries under the Export Development Board of Sri Lanka had not been included into the approved cadre of this Ministry since the date of Audit.	The approval for the entire cadre of the Ministry by including the 305 Development Officers assigned to Head office of Export Development Board and 04 sub offices and Divisional Secretaries all over the island, into the approved cadre of Ministry had been requested by the letter no. MIP/02/13/EDB/20 dated 31 January 2023.	-do-