

## **Head 116 - Ministry of Trade, Commerce and Food Security**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

Head 116 - The audit of the financial statements of the Ministry of Trade, Commerce and Food Security for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Ministry of Trade, Commerce and Food Security was issued to the Chief Accounting Officer on 31 May 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 18 July 2024 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, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Ministry of Trade, Commerce and Food Security as at 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report.

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 opinion.

#### **1.3 Responsibilities of the Chief 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 Chief Accounting Officer.

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 annual and periodic financial statements to be prepared.

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry 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 exercise professional judgment and maintain professional skepticism throughout the audit. I also furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- 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.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief 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 consistent with the previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) A motor vehicle assigned to the Ministry valued at Rs 10,000,000 had not been accounted for under non-financial assets.	It was noted to be included in the asset record.	Assets should be properly accounted for.
(b) Even though office equipment valued at Rs 1,193,790 had been issued to two government institutions, as those equipment were not removed from the statement of non-financial assets, the assets had been overstated by that amount.	With the abolition of the State Ministry and its merger with this Ministry, non-financial assets were released according to the requests received from the institution and Department under the scope of the Ministry while bringing the goods held there to this Ministry. As the Ministry had entered the information about the assets of the Ministry into the CIGAS Computer System, the non-financial assets have been removed from the statement by now after making the reconciliation.	-do-

## 2. Financial Review

### 2.1 Non-compliance with Laws, Rules and Regulations

The following observations are made.

<b>Reference to Laws, Rules and Regulations</b>	<b>Observation  Non-compliance</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Financial Regulations of Democratic Socialist Republic of Sri Lanka	(a) Even though there were shortages of 42 items belonging to 12 types of goods obtained from the State Ministry, reporting to the relevant authorities in accordance with the financial regulations in this regard, and determining the persons responsible for it had not been done.	With the abolition of the State Ministry and merger into this Ministry, a group of staff officers who worked there had taken the inventory items to the Cooperative Wholesale Establishment along with the relevant officials and another group had arrived to this Ministry building. The officers who had been in charge of inventory had also been transferred by March 2023. A Committee had been appointed to bring those goods and although requests were made to provide the inventory registers at that time, as the inventory registers were not provided, delivery and acceptance of the goods physically have been made with signatures.	Actions should be taken to report to the relevant authorities and to determine those responsible.

	(b) Actions had not been taken in terms of Financial Regulations regarding 02 vehicles that had experienced in accidents in the year 2023.	Actions will be taken to answer in the future.	Actions should be taken in terms of Financial Regulations.
(ii)Financial Regulation 1646	An amount of 5,512 liters of fuel valued at Rs 1,792,291 had been utilized for 11 vehicles in the year 2023 as per the fuel register of the Ministry. Although the running charts for each vehicle should be submitted for audit before the 15th day of the following month, no running chart whatsoever for the year 2023 had been submitted to the audit showing how fuel was used.	Delays have occurred. It has been noted that it will be formally presented in the future.	-do-
(b)Public Administrati on Circular No. 02/2018 dated 24 January 2018			
Paragraph 4	A Human Resource Development Plan had not been prepared for the year 2023 and Annual Performance Agreements had not been signed for the entire staff.	Actions will be taken to answer in the future.	Actions should be taken in terms of the circular.

(c) Part II of  
Public  
Finance  
Circular No.  
01/2020  
dated 28  
August 2020

Paragraph  
8.1.3

In case of transferring of assets of the State Ministry to the Ministry, the both relevant Ministries should appoint a committee consisting of competent persons to assess the said assets and although the transferring of assets should be carried out to the valuation done by the said committee, the Ministry had not taken actions accordingly.

Just after the State Ministry was abolished and merged into this Ministry, a group of staff officers who worked there had taken the inventory items to the Cooperative Wholesale Establishment with the relevant officers and another group had come to this Ministry building. The officers who had been in charge of inventory had also been transferred by March 2023. A Committee had been appointed to bring the goods and although requests were made to provide the inventory registers at that time, as the inventory registers had not been provided, handing over and receipt of goods physically were signed and received.

Actions should be taken in terms of the circular.

(d) Section 02  
(II) of Asset  
Management  
Circular No.  
05/2022  
dated 04  
April 2022

Although when the officers transfers, they should not carry any non-financial assets of the respective institution, three transferred officers had taken 08 computer devices to the transferred places in contrary to that.

The relevant officers have been informed in respect of handing over of inventory when officers are released from service on transfers.

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## 2.2 Improper Transaction

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The shop, established in an area of 2,178 square feet on the ground floor of the Ministry, was operated by the Co-operative Wholesale Establishment from October 2022 to August 2023, and by Umandawa Green Hut from August 2023 to the date of audit and a sum of Rs.5,414,565 had been spent as rent, electricity bills and water bills by the expenditure head of the Ministry up to 31 December 2023 for that. The Ministry had not been taken steps to recover the money from the relevant institutions based on a formal agreement and a sum of Rs.2,000,000 had been paid to the Cooperative Wholesale Establishment by the Ministry in the year 2021 as the initial cost of setting up the shop.</p>	<p>Electricity bill for January, February, March, April, May, July, September, October and November 2023 and the rent for September and October 2023 have been reimbursed by now.</p>	<p>Actions should be taken to recover the money receivable from the respective parties promptly.</p>
<p>(b) The Ministry had appointed 05 coordinating officers of trade fair and 03 management assistants for a contract period of 02 years during the period from 16 June 2023 to 12 December 2023 and acceptable written records relating to the legality of their appointments, recruitment process, basis for determining their allowances, assignment of duties, reporting places for duty, immediate supervising officers and performance of duties were not submitted for audit and an amount of 1,911,667 had been paid as salaries and allowances to the above officers from July 2023</p>	<p>Actions will be taken to give the answers in the future.</p>	<p>Actions should be taken to submit the relevant information to the audit.</p>

to February 2024 from the advance received from the Mahapola Trust Fund.

### 3. Operational Review

#### 3.1 Non-performance of Functions

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) It had been failed even in the year under review to accomplish the following main objectives out of the objectives of the Ministry.		
(i) Formulating and finalizing a National Trade Policy	Actions are being taken to review the National Trade Policy draft which has been prepared so far with the officers of the committee appointed for this purpose with the participation of the Head of the International Trade Division of the President's Office and to improve further by considering the global trade conditions by taking technical support from the World Trade Organization.	Actions should be taken to formulate and implement trade policy.
(ii) Maintaining the data base related to the institutions under the Ministry, updating the data bases and setting up a mechanism to connect the data with external information providing institutions.	Actions will be taken to provide answers in the future.	Actions should be taken to achieve objectives.
(iii) Guidance to implement a conservation system to protect National Intellectual Properties.	Actions will be taken to provide answers in the future.	-do-



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| <b>(b)</b> | Although it is the task of the Ministry to act as a mediator to control price fluctuations in the local market, the prices of commodities such as sugar, eggs, gas, fertilizers, milk powder, keri samba etc. had gone up due to the large shortage in the market in the years 2022 and 2023 and the Consumer Affairs Authority had not conducted a substantial number of raids on these stock shortages and a proper supervision of thereon had also not been conducted by the Ministry.  | Actions will be taken to provide answers in the future.  | Arrangements should be made to perform basic tasks.  |
| <b>(c)</b> | Although the laws and ordinances of the institutions under the Ministry should be updated and amended quickly to make the customer more secure, the Consumer Affairs Authority Act No. 09 of 2003, the National Intellectual Property Act No. 36 of 2003 and the Measurement Units, Standards and Service Act No. 35 of 1995 had not been amended even by the end of the year under review.  | Actions will be taken to provide answers in the future.  | Actions should be taken to amend the Act.  |
| <b>(d)</b> | Even though it had been shown that, there is a 50 per cent progress in relation to the main commodities including vegetables, fruits, gas and petrol in the year review by the internal trade division of the Ministry as per the performance reports, no report had been issued in that regard and although it is the responsibility of the Ministry to collect information about the stock quantities that should have been maintained and the actual stock quantities in each month from each line ministries related to the main commodities (trade profiles), a specific coordination mechanism had not | The coordination of the institutions under the Ministry is done by each division and accordingly, carrying out regular guidance, giving advices, conducting meetings/ progress review meetings etc. are being conducted. Out of those institutions, providing the necessary guidance regarding the Consumer Affairs Authority, which is a sensitive institution to the consumer and they have been given necessary instructions/guidance by conducting meetings/ discussions progress reviews, once in a | Actions should be taken to implement a formal coordination mechanism to collect information. |

been maintained to collect that information. specified period of time.

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| (e) | Even though the Ministry has done import coordination works under the Indian Credit Line (ICL), information on commodities to be imported, analysis reports or quantities of commodities brought into the country by each importers had not been maintained by the Ministry. | Progress reports related to Indian Credit Line have been prepared. Nevertheless, there was no import of essential food items under the Indian Credit Line for the year 2023. The file/files containing the letters issued in relation to the exporters were maintained as soft copies. | Essential information should be maintained regularly. |
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### 3.2 Assets Management

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Although the approval has been received for the formal transfer of vehicles belonging to other ministries and institutions currently used by the Ministry to the Ministry by the Decision of Cabinet of Ministers No. CMP/21/1543/313/053 dated 28 September 2021; the number of vehicles which were not taken over by 31 December 2023 was 20.	A few vehicles out of these have been taken over by now and the request has been submitted to the Ministry of Finance, Ministry of Environment and Ministry of Investment Promotion to take over the vehicles which were not taken over.	Actions should be taken to take over the vehicles properly.
(b) Due to the 5 vehicles of the Ministry are not in running condition for more than a year had been parked in the Ministry and even though 02 more vehicles had been sent to the garage for repairs since more than a year, arrangements had not been made regarding those vehicles in terms of 02 (b) of Assets Management Circular No. 05/2020 dated 02 October 2020.	Since the expenses of the year 2023 had to be managed, the vehicles were not sent for repair and bids have now been invited. Similarly, due to non-availability of spare parts in agencies, a long time has been spent for the repairs.	Actions should be taken to repair vehicles as per the circular.
(c) A number of 534 items of office equipment in 59 categories of non-financial assets received from the State Ministry had remained in idle	Requirements have been called from various sectors of the Ministry by now. Accordingly, actions will be taken in the future	Actions should be taken to manage assets properly.

at the Trade Ministry Premises and at the warehouse of Food Commissioner's Department even by the end of the year under review.

to provide to the government institutions in accordance with the Public Finance Circular 01/2020.

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| (d) | Even though 116 items belonging to 50 commodities obtained from the State Ministry had been issued by the Ministry to 04 external institutions, goods received notes had not been obtained for that and issuances had been made without stating the values in issuing orders relating to 80 items belonging to 05 issuing orders. | -do- | -do- |
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#### 4. Achieving Sustainable Development Goals

The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Even though it had been stated that the monitoring of the maintenance of buffer stock of food so that there is no shortage of food as a goal under sustainable development, maintaining buffer stock of food as such had not been carried out and actions had not been taken to create a proper system to maintain buffer stocks.	Although a request for provisions amounted to Rs. 1,996 million from the Treasury were made to maintain a buffer stock of rice, the provision of Rs.100 million given was insufficient.	Actions should be taken to implement a proper system of maintaining buffer stock of food.
(b) Even though the recommendations have been given to import 10 types of essential food to keep the cost of living low by controlling the price of essential commodities including fruits and vegetables in cases where the prices of commodities in the market have increased abnormally, of that, only wheat flour had been imported.	Actions will be taken to be answer in the future.	A proper system to control the price of essential commodities should be followed and implemented.