

## **Head-244 Department of Trade and Investment Policy- 2024**

### **1. Financial Statements**

#### **1.1 Opinion**

Head 244- The audit of the financial statements of the Department of Trade and Investment Policy for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 Policy was issued to the Accounting Officer on 31 May 2025 in terms of Section 11(1) of the National Audit Act, No 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 17 July 2025 in terms of Section 11(2) of the Audit Act. 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 Department of Trade and Investment Policy for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

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

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, 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 Emphasis of Matter - Basis of Preparation of Financial Statements**

The attention is drawn to Note 1 to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Trade and Investment Policy, the General Treasury and the Parliament in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Trade and Investment Policy, the General Treasury and the Parliament of Sri Lanka. My opinion is not modified on this matter.

#### **1.4 Responsibilities of the 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 all materialities in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as 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 Department 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 Accounting Officer shall ensure that an effective internal control system for the financial control exists of the department 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.

#### **1.5 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 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 and its materiality depends on the influence on economic decisions taken by users 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 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.

## 2. Report on other Legal Requirements

I express 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 preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

## 3. Operational Review

### 3.1 Expenditure Management

Following observations are made.

| Audit Observation                                                                                                                                                                                                                                                            | Comments of the Accounting Officer                                                                                                                                                                                                                      | Recommendation                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| (a) Out of the total net provision of Rs. 217,916,613 allocated under 08 objects, a sum of Rs. 195,806,143 remained unutilized and saved. This unutilized amount represented a range between 35 percent and 94 percent of the respective net provisions under those objects. | These savings occurred as a result of prudent utilization of provisions and using expenditure with frugality in accordance with National Budget Circular No. 01/2024, and also due to the non-emergence of the anticipated expenditure within the year. | In terms of Financial Regulation 50, the annual expenditure estimates should be prepared accurately and realistically. |
| (b) For the object bearing No. 244-1-1-0-2103, provisions amounting to Rs. 2,421,620 had been obtained under F.R. 66, which was 242 percent of the original estimate provision for that object.                                                                              | Due to the computers and computer accessories used by this Department being outdated in comparison with current technology, and the insufficiency of such computer accessories, this provision had been transferred for the purchase of those goods.    | In terms of Financial Regulation 50, the annual expenditure estimates should be prepared accurately and realistically. |

#### **4 . Operational Review**

##### **4.1. Failure to perform duties**

.Following observations are made

| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Comments of the Accounting Officer</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Recommendation</b>                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <b>(a) South Asia Free Trade Agreement (SAFTA)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                |
| <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, However as at 31 December 2024 the department had failed to take reasonable measures to either to implement the said activities or to reach the necessary agreements.</p> | <p>Under the South Asian Free Trade Agreement (SAFTA) Trade Liberalization Programme, during the second phase, the Minister of Finance had submitted the Cabinet Memorandum No. MF/TIP/09/CM/2014/188 dated 11.06.2019, proposing the reduce of the preferential tariff ratio to a limit of 5% applicable for 50 goods classifications codes that had previously been subject to preferential tariff of 7.5 percent and 6 percent. 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, therefore these activities have been temporarily stopped.</p> | <p>Actions must be taken without delays, to implement the agreement or to obtain the necessary agreements.</p> |

(b) **Bangladesh - Sri Lanka  
Preferential Trade  
Agreement (BS-PTA)**

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 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, As at 31 December 2024, the Department had failed to take reasonable measures to implement the required actions in accordance with the agreement.

Although the initial work plan related to the signing of this agreement had targeted January 2022 as the date for execution, it was subsequently agreed within the same work plan that a decision regarding the date would be taken at a future date. It was further stated in the work plan that the proposed timelines serve merely as guidelines, and that necessary revisions may be made by mutual agreement depending on the progress of future discussion. Subsequently, according to the revised work plan presented during the virtual discussion round held on 29 May 2023, discussions relating to this agreement had continued; however, as of now, no response has been received from the Bangladesh side regarding further future actions on the trade agreement, due to the prevailing situation in Bangladesh. A unilateral decision cannot be taken by only one party in respect of an agreement to be entered into between two parties.

Taking action to act in accordance with the agreement or to reach the necessary and appropriate agreements.

**(c) Sri Lanka Free-China Trade Agreement**

Negotiations regarding reaching an agreement on the China-Sri Lanka Free Trade Agreement started in 2014 and continued until 2017. The Cabinet of Ministers had decided to start discussions again in the year 2022 and it was observed that the matter remained at the discussion stage . As at 31 December 2024.

No agreement has yet been reached between the two countries regarding the proposed periods for the 07<sup>th</sup> round of discussions under this proposed bilateral agreement.

Actions should be taken without delay to act in accordance with the agreement or to reach any other necessary and appropriate agreements.

**4.2 Asset Management.**

| Audit Observation                                                                                                                                                                                                                                                                                                                                      | Comments of the Accounting Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Recommendation                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| A vehicle belonging to the Department, valued at Rs. 7,400,000, was handed over to the Ministry of Finance, Planning, and Economic Development without transferring its registered ownership. However, during year under review , due to its inclusion under the disposals of non-financial assets, the value of non-financial assets was understated. | The motor vehicle belonging to this department, which had been in use by the Director General at that time, was subsequently decided to be handed over to the Ministry of Finance when that officer was appointed as Secretary to the Ministry of Trade. Accordingly, as per the Department of Trade and Investment Policy letter dated December 2024 and Reference number TIP/ADM/05/13/08-01, this motor vehicle was handed over to the Ministry of Finance, and therefore its value has been removed from the accounts of this department. | Action should be taken to properly transfer this vehicle. |

## 5. Human Resource Management

| Audit Observation                                                                                                                                                                                                                                                                                                                          | Comments of the<br>Accounting Officer                                                                                                                                                                            | Recommendation                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <p>The department had 63 approved posts, of which 06 were vacant. Among the vacancies, 01 was a senior-level post directly impacting the department's performance, 01 was a tertiary-level post, and 04 were secondary-level posts. The department had not been taken no action to fill the vacancies or to revise the approved cadre.</p> | <p>As at 31 December 2024, out of the 64 approved posts in this department, the vacant senior-level posts have been filled, and necessary actions are being undertaken to fill the remaining vacancies soon.</p> | <p>Actions should be taken to fill the vacancies in an appropriate manner.</p> |