

## **Head 237 – Department of National Planning**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the Department of National Planning for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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. In terms of Section 11(1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Department of National Planning was issued to the Accounting Officer on 31 May 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 03 December 2020 to the Accounting Officer. This report which should be read in conjunction with Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the accompanying financial statements prepared in accordance with the provisions of the State Accounts Circular No. 271/2019 dated 03 December 2019 give a true and fair view of the financial position of the Department of National Planning as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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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 Chief Accounting Officer and Accounting Officer for the Financial Statements**

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Chief Accounting Officer and 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 such internal control 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 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 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, 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,

- 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 structure and content of the financial statements containing the disclosures and the transactions and events that underlie the financial statements in an appropriate and reasonable manner.

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.

## 1.5 Report on Other Legal Requirements

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As required by Sub-sections 6 (1)(d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements furnished in the previous year had been executed.

## 1.6 Comments on Financial Statement

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

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The following observations are made.

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	
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(a) Section 7.2 of Chapter XIX of the Establishment Code of the Democratic Socialist Republic of Sir Lanka	The amount due in accordance with the Establishments Code had not been recovered in the year 2019 when the grace period for leaving the official quarters after the expiry of the period as per the agreement. Further, Four officers whose contract period was expired are still staying in their official quarters as at September 2020 by extending the period.	Providing opportunities to other officers by acting in accordance with the provisions of the Establishments Code.  The comments of the Accounting Officer are correct for the observations made regarding a Director of the Department of Development Finance. The recommendations were noted.  The time allowed for a Director to stay in the official quarters had been extended to 30.06.2020. If he will not handover as so, he had been informed that acting in accordance with Sections 7: 1, 7: 2 of Chapter XIX of the Establishments Code and allowed to stay until 31 December 2020 again. The period given to a Deputy Director to stay in the official quarters had been extended from 07.11.2020 to 06 months on normal rent. I had informed that if the official quarters are not returned at the end of that

period, I will act in accordance with Sections 7: 1, 7: 2 of Chapter XIX of the Establishments Code.

The period of stay to the officer at the official quarters had been extended to 31.10.2020 and after that, the Head of the Department was informed to act in accordance with Sections 7:1 and 7:2 of Chapter XIX of the Establishments Code.

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|-----|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) | Asset Management Circular No. 01/2017 dated 28 June 2017 of the Secretary to the Ministry of Finance and Mass Media | Although information on official quarters should have been submitted to the Comptroller General before 31 October 2017, the action had not been taken so far accordingly. | Action should be taken in accordance with Circulars. | The survey works of 07 official quarters belonging to this Department at Dabare Mawatha, Narahenpita, Colombo 05 were carried out on 11.09.2020 and 18.09.2020 by the Survey Department of Sri Lanka. Relevant survey plans are to be received in the future. |
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**2. Financial Review**

**2.1 Expenditure Management**

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The savings after utilization of the provisions was 85 per cent of the net provision due to over provisions had made for capital expenditure.	Estimates should be prepared as accurately as possible.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.
(b) During the year under review, the initial expenditure estimates of five expenditure objects and the revisions made through the Supplementary Estimates and F.R. 66 were in the range of minus 30 to 100 per cent as a percentage of the Initial Expenditure Estimate.	Estimates should be prepared as accurately as possible.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.

### 3. Operational Review

#### 3.1 Non-achievement of Functions

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Public Investment Programme for 2019 and 2020 had not updated and it was not observed that the regulations which explain the role of the National Planning Department in the Financial Regulations of the Government of Sri Lanka had been amended to suit the present.	Action should be taken accordingly since updating the public investment programme which is nationally important to the economy and the revisions of Financial Regulations are timely.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.

#### 3.2 Management Weakness

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Although the Head of the relevant department had been informed to submit a new project proposal based on a project proposal to obtaining the technical assistance to do so because economic, social, and environmental analysis had not been carried out as required by the Department of National Planning on the West Coast Sand Feeding Project, it was observed that no such thing had happened. Although budget allocation should be made in accordance with the Public Investment Program after making recommendations for the project, It is observed that budgetary provisions had been made before the recommendations were presented.	Recommendations of the National Planning Department should be obtained before allocating funds for projects.	The comments of the Accounting Officer are correct for the observations were made. The recommendations were noted.

Further, although the Department of National Planning had stated that there is no objection to implementing that project proposal if it is considered as a sustainable solution to the implementation of the project proposal as a matter of timely requirement, it is also observed that the required regulation may be escape.