

## **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 2021 comprising the statement of financial position as at 31 December 2021, the statement of financial performance for the year then ended and cash flow statement 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 National Planning in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on 17 June 2022. Annual Detailed Management Audit Report related to the Department in terms of Section 11 (2) of the Audit Act was issued on 29 July 2022. This Report is presented to the Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion the financial statements give a true and fair view of the financial position of the Department of National Planning as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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My opinion is qualified based on the matters described 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 Chief Accounting Officer and the Accounting Officer on Financial Statements**

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The Accounting Officer is responsible for 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.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Imports and Exports Control 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 and maintained for the financial control of the Imports and Exports Control 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

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My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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.
- An understanding of internal control relevant to the audit was obtained 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 internal control.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- 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 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

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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 were consistent with those of the previous year.
- (b) The recommendations made by me on the financial statements related to the previous year had been implemented.

## 2. Financial review

### 2.1 Imprest Management

The following observations are observed.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>A sum of Rs. 235,135,000 had been estimated as the imprest requirement for the year 2021. In the year under review, a sum of Rs.171,825,664 had been requested from the Treasury. Accordingly, imprest had been overestimated in the year under review due to making a request from the Treasury for imprest, which had been Rs.63,309,336 less than the estimated imprest. Even though Rs.19,685,000 had been planned as the requirement of imprest for the month of December 2021, imprest amounting to Rs.22,404,222 had been applied by exceeding that requirement. Accordingly, the preparation of imprest estimates and the management of requesting imprest by the Department had become weak.</p>	<p>Not agreed with the observations. Change in the imprest plan prepared for the year 2021 due to taking steps to save the allocation of this Department without spending the allocation according to the decision of the Cabinet of Ministers dated 31.08.2021. Imprest amount planned in December had been saved due to the transfer of provision in terms of FR 66 in December 2021 and due to releasing the material aids received as foreign aids under the PALAMA project from the customs.</p>	<p>The Department should prepare accurate imprest estimates to establish a successful financial management.</p>

### 2.2 Expenditure Management

The following observations are observed.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) <b>Provision made was useless</b></p> <p>The entire provision, out of the net provision totaling to Rs.3,100,000 made for 03 Objects, was saved without any utilization in the year under review.</p>	<p>Not agreed with the observation. Steps were taken to save provision without spending as per the decision of the Cabinet dated 31.08.2021 due to the impact of the Covid-19 pandemic situation.</p>	<p>Annual expenditure estimates should be prepared accurately and realistically in terms of FR 50.</p>

**(b) Making Over Provision**

The balance after utilization of the provision had been Rs.4,250,195,132 as over provision amounting to Rs.13,358,167,610 had been made for 19 Objects in the year under review. The balance had been in the range of 27 percent to 98 percent of the net allocation made for each Object.

Not agreed with the observation. According to the decision of the Cabinet dated 31.08.2021, the provision was frozen.

Annual expenditure estimates should be prepared accurately and realistically in terms of FR 50.

**2.3 Incurring Liabilities and Commitments**

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The following observations are observed.

	<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(a)	Even though all the commitments must be disclosed in the statement of liabilities under Note No. (iii) to the financial statements according to paragraph 3.3 of the State Accounts Guideline No. 2021/03 dated 26 November 2021, commitments totalling to Rs. 354,082,475 as per Treasury printouts SA – 92 had not been disclosed in the statement of commitments and liabilities in the financial statement.	Provision has not been allocated in this Department for the payment of the bills under the decentralized budget programme for the year 2022 and the relevant provision for making these payments has been allocated under the Object of the District Secretary. A sum of Rs.470,075,446 has been recorded as unsettled bills as at 31.12.2021 under the Objects of the relevant District Secretary.	Since the liabilities mentioned in the Treasury books should be indicated in the financial statements, the Department should rectify the treasury books.
(b)	Commitments issued to each Object by the General Treasury in the statement of commitments and liabilities as at 31 December 2021 as per Note (iii) submitted along with the financial statements should have been reconciled with the statement of liabilities. Liabilities totalling to Rs.776,593 in the SA - 92 Cumulative Liabilities Report of the General Treasury had not been included in Note (iii) to the financial statements.	Not agreed with the matter observed. This is an incident, which had occurred beyond the control of the Department. Although the commitments and liabilities related to the year 2021 had been uploaded to the CIGAS web application according to the State Accounts Guidelines No. 2021/2 and the State Accounts Circular dated 26.10.2021, non-mentioning of it in the SA-92 Cumulative Liabilities Report of the Treasury was verbally inquired from the Department of State Accounts and it was informed that it had not been mentioned in this report due to a technical error.	The departmental books should be reconciled with the treasury books and it should be corrected in terms of FR 427.

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

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The following noncompliance was observed.

Reference to Laws, Rules and Regulations	Audit Observation Non-compliance	Comments of the Accounting Officer	Recommendation
(a) FR 104 (1) (a)	The Department had submitted the preliminary reports regarding the accidents occurred to 02 vehicles of the Department in terms of FR 104 (3) with a delay of 28 days and 4 months respectively.	Accidents were occurred to 02 vehicles belonging to this Department in the year 2021, and the reports of the inspections carried out in relation to those accidents under the FR could not be submitted on time due to discharging of duties with a low number of officers owing to the COVID 19 pandemic prevailed in the country and due to calling a limited number of officers according to the Public Administration Circulars and some officers were infected with diseases.	Action should be taken in compliance with the Financial Regulations.
(b) Paragraph FR 104 (4)	Final reports regarding the above-mentioned vehicle accidents should have been submitted within 03 months in terms of FR 104 (4), the Department had submitted the report with a delay of almost 04 months for one vehicle. The report for the other vehicle had not been submitted even though 14 months had passed by 18 May 2022,	-Do-	-Do-

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| (c) FR 880  | Securities had not been given by the officers, who should give security.   | Necessary arrangements have been made to give security.   | Action should be taken in compliance with the Financial Regulations. |
| (d) FR 1645 (a)   | Vehicle log books had not been maintained in an updated manner.  | Log books on seasonal services, repairs, tyres, batteries have been updated. Certain other details have not been updated and noted down to update the log books by including those details. | Action should be taken in compliance with the Financial Regulations. |
| (e) FR 1646   | Although the officer in charge of vehicles was supposed to submit the daily running charts along with an original of the monthly summary to the Auditor General after one month before the 15th day of the following month, he had not functioned accordingly. | I agree with the observations mentioned and noted down to submit the daily running charts to the Auditor General in the future.   | Action should be taken in compliance with the Financial Regulations. |
| (f) FR 1647 (e)   | Although officers in charge of vehicles in every government institution should have maintained a register containing the details of the motor vehicles, of which he was in charge, such a register had not been maintained in an updated manner.               | A vehicle register has not been maintained and noted down to maintain such a register in the future.  | Action should be taken in compliance with the Financial Regulations. |
| (g) Public Administration Circular No. 03/2016 dated 29 December 2016 | A combustion test for vehicles of the Department had not been conducted in the year under review.  | Combustion tests have been done after major repairs. The last combustion tests for two vehicles had been done on 04.09.2019 and 09.06.2021 respectively. Accordingly, such tests            | Action should be taken in compliance with the Financial Regulations. |

have not been done after running a distance of 25000 Km or after a period of 12 months, whichever occurs first, and noted to do that test for the pool vehicles during this year.

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| (h) | Paragraph 7.9 of the State Accounts Guidelines No. 2021/03 dated 26 November 2021 | The balance of the cash book as at 31 December 2021 had been Rs.1,402,031. That balance had been remitted to the Department of Treasury Operations on the same day. In contrary to paragraph 7.9 of the State Accounts Guidelines No. 2021/03 dated 26 November 2021, the balance had been indicated as a balance not settled by the Treasury in the statement of financial position. | This had been included in the balance of cash and cash equivalents in the year 2021 as in the previous year by mistake. The correct statement of financial position was prepared and submitted to the audit and rectified. | Financial statements should be prepared in accordance with the provisions of the relevant Circulars. |
| (i) | FR 757  | Even though the format of Annual Goods Survey should have been submitted along with the reports of the Annual Goods Survey, the completed formats had not been submitted.   | The survey report has been submitted to the Auditor General. The photocopies of the covering letter, survey report and the Form B.G.P.66 will be submitted.  | Action should be taken in compliance with the Financial Regulations.                                 |

## 2.5 Operation of Bank Accounts

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
According to the Bank Reconciliation Statement prepared for the month of December 2021 regarding the bank current account of the Department, action had not been in terms of FR 396(d) in respect of 02 cheques, totalling to Rs.	Agreed with the observation.	Action in relation to the cheques, which had been issued but not presented to the bank, should be taken in compliance with the

3,696 and issued, but not presented for payment and the validity period of which had been expired.

Financial Regulations.

### 3. Operational Review

#### 3.1 Not Obtaining the Expected Output Level

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to FR 34(1), new project proposals are accepted for inclusion in the Capital Expenditure Budget based on the investment priorities approved by the government in terms of availability of resources. Only projects approved in accordance with the prescribed procedures and included in the Public Investment Programme will be accepted for financing. Accordingly, preparing and updating a medium-term public investment framework is a major task of the Department of National Planning. Accordingly, the Public Investment Programme for 2021-2024 had been prepared after the completion of the budget 2021 and a sum of Rs. 1,927,072 had been spent in December 2021 for the printing of Public Investment programmes.</p>	<p>The Public Investment Programmes of 2017-2020 and 2021-2024 have been printed by now.</p> <p>The Public Investment Programme is prepared on the basis of public investments for the next three years and the current year is considered as its base year. Accordingly, 2021 is the base year of the public investment programme for the period of 2021-2024.</p>	<p>Since the budget should be prepared according to the investment plan related to the base year, the investment plan should be submitted before the approval of the budget.</p>

#### 3.2 Asset Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Although two vehicles owned by the Department had been released to the other Departments in the year 2021 on temporary basis, action had not been taken to formally hand over or take back those vehicles even by the end of the year under review.</p>	<p>Vehicle bearing No. WP CBH – 7437 has been returned to this Department on 27.01.2022.</p> <p>Vehicle bearing No. WP KP – 9601 has already been handed over temporarily to the Department of Project Management and Monitoring.</p>	<p>Action should be taken systematically in releasing assets.</p>



- (b) A vehicle owned by the Department had been released to the Department of Project Management and Monitoring on a temporary basis. An accident occurred to that vehicle on 30 March 2021 when the functions of that Department were being carried out. It was repaired by the third-party insurance company that was at fault for the vehicle accident. A technical officer had not certified that the repair had been done systematically.
- At the time of the accidents occurred to the Vehicles bearing No. WP CBH – 7445 and No. WP CBH – 7448 owned by the Department, a representative of the relevant insurance company came to the place of the accident and carried out the initial inspection, and the service agency of those vehicles, Toyota Lanka (Pvt) Ltd. had repaired the vehicles and the repairs had been checked by the professional engineers and technicians of the insurance company.
- Repairs should be systematically certified.
- (c) A vehicle owned by the Department had met with an accident on 12 June 2021. The private company had submitted an estimate amounting to Rs.135,069 to the Department for its repair. The Department had informed to carry out the repairs subject to the approval of the insurance company. Accordingly, the repair had been done at a sum of Rs. 68,860. A technical officer had not certified that the repair had been carried out systematically.
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- Repairs should be systematically certified.

### 3.3 Management Weaknesses

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though the Website of the Department should be updated to include the action plan of the Department for the years of 2021 and 2022, only the action plan for the year 2020 had been included in the Website even by 12 May 2022, the date of audit.	Arrangements have been made to update the Website of the Department by including the action plan.	The Website of the Department should be updated and maintained.

- (b) A sum of Rs.242,354 had been paid to a contracting institution for cleaning activities of the Department of National Planning during the year under review. The Department had entered into an Agreement with the contractor in this regard.

The following observations are made in this regard.

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| (i)  | Even though the contractor should have provided a report on cleaning according to the Conditions of the Contract Agreement, information to prove that such a report had been obtained had not been submitted to the audit.   | A monthly cleaning report has not been provided by that institution and arrangements have not been made to obtain it as well.   | Action should be taken in compliance with the Agreements.  |
| (ii) | As mentioned in the Agreement, the daily arrival and departure of the employees should have been recorded in the attendance register of the Department of National Planning, the evidence had not been submitted to the audit to confirm that the attendance and departure register had been checked and certified correct by a responsible officer in making the relevant payments. | A register of arrival and departure for the cleaning workers is being maintained at the Administration Division and the officer in charge of the subject checks it and revises the bill submitted and makes payments accordingly. | Documents should be systematically updated and maintained. |

#### 4. Achievement of the Sustainable Developmental Goals

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
Action had not been taken to identify the sustainable development goals according to the United Nations 2030 Agenda for Sustainable Development and to identify the required criteria to measure the achievement of the sustainable development goals and to establish an accurate data system related to it.	All Sustainable Development Goals (17), targets and policy decisions related to the 2030 Agenda for Sustainable Development are considered by this Department during the evaluation of the projects.  Furthermore, the Sustainable Development Goals have already been recognized globally and are being incorporated into our development process. Therefore, Sustainable Development Goals are not separately identified in relation to this Department.	To identify the sustainable development goals that can be achieved by the accomplishment of the role of the Department and to identify the criteria necessary to achieve them.

## 5. Human resource management

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The approved number of posts in the Department was 118 as at 31 December 2021 and 32 posts out of that had remained vacant. There had been 16 senior level posts, 1 tertiary level post, 9 secondary level posts and 6 primary level posts among the vacant posts.	Making notification of vacancies to the Ministry of Finance and granting approvals for transfers to the Ministry of Finance for requests received from the Department in relevant occasions to complete the vacancies. Despite making constant requests from the Ministry of Finance to get space facilities due to the lack of space facilities for all the officers, space facilities have not been received.	The staff should be appointed for positions essential to fulfill the role of the Department and if there is non-essential staff, the approved cadre should be revised.
(b) If the service of a full-time officer is required for a post, action should be promptly taken to appoint such an officer on the regular basis as per Section 13.3 of Chapter II of the Establishments Code. Nevertheless, the post of Librarian in the Department had remained vacant for more than 09 years.	Requests have been made to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government to fill the vacancies.	-Do-