

Head 311 - National Physical Planning Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of National Physical Planning for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Department was issued to the Accounting Officer on 26 May 2023 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 30 May 2023 in terms of Section 11(2) of the Audit Act. This report is tabled in Parliament in pursuance of the 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, except for the effects of the matters described in paragraph 1.6 of this report the accompanying financial statements give a true and fair view of the financial position of the National Physical Planning Department as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and 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 accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine 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 of the Department.

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 in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the 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 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 value 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.

1.5 Report on Other Legal Requirements

I express the following matters in accordance with 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 relating to the financial statements of the preceding year had been implemented except for the following recommendations.

1.6 Comment on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though recurrent expenditure totaling Rs. 795,000 spent on 05 occasions by the Department to repair vehicles should have been incurred under the Object No. 311-1-1-0-1301, that expenses had been spent and accounted for under the Capital Object No. 311-1-1-0-2003. Hence, the recurrent expenditure had been understated by Rs. 795,000 and the capital expenditure had been overstated by that amount.	Since this is the replacement of spare parts persisted for more than one year, expenses had been incurred from the Capital Object, 2003.	As it is clear that the replacement of brake pads, shock absorbers, clutch plates are the expenses of recurrent nature, capital and recurrent expenditure should be correctly identified and accounted for.

b) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
i. In accordance with Section 4 of the Circular No.262/2017 dated 29 December 2017 of the Director General of the Department of State Accounts, any amount due from the officers who retired or died after the year 2018 should not be indicated in the Advance B Account. Nevertheless, without being recovered an amount totaling Rs. 541,315 due from three retired officers and one deceased officer, it had been stated in the Advance B Account.	Arrangements are being made to recover the dues.	Action should be taken in accordance with the circular.
ii. A sum of Rs. 172,175 due from an officer who vacated service of the department and Rs. 183,840 due from an interdicted officer had not been recovered despite the lapse of 04 years.	Arrangements are being made to recover the dues.	Formal and efficient measures should be taken to recover the dues.

c) Property, plant and Equipment

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) In terms of Section 8.2 of the State Accounts Guidelines No.2022/05 dated 13 December 2022, the non-financial assets should be properly identified and brought to account. Nevertheless, the ownership of 08 land and 04 buildings existed under the long-term possession of the Department had not been taken over and accounted for after assessing their values.	As the survey plan of the land where the Mahiyanganaya circuit bungalow and the project office is located has been received, requests have been made for their valuation. The valuation reports for other lands could not be obtained due to non-submission of survey plans and title deeds from the Divisional Secretariats, thus far.	After obtaining survey reports and title deeds and conducting valuations, accounts should be posted.
(ii) In terms of Assets management Circular No.04/2018 dated 31 December 2018 of the Secretary to the Treasury, non-financial assets should be reported to the Comptroller General. Nevertheless, 282 items of non-financial assets located in 11 premises of the department had not been accounted for.	A committee will be appointed and the value of the relevant items will be assessed in the future.	Department should account for all the assets and report the particulars of those assets to the Comptroller General.
(iii) Two air-conditioners and fittings worth Rs. 1,149,366 purchased by the department in the year 2021 and the value of the buildings constructed at the Anuradhapura project office at a cost of Rs. 7,909,141 in the years 2020/2021 had not been brought to account as non-financial assets.	These have been accounted for in the year 2023.	Action should be taken to account for the non-financial assets and report them to the Comptroller General in the year of their purchase.

(d) **Non-maintenance of Books and Registers**

It was observed during the course of audit test check that the Department had not maintained following certain documents while some other documents had not been maintained in an updated manner.

Audit Observation	Comment of the Accounting Officer	Recommendation
Register of Fixed Assets The Register of Fixed Assets had not been updated as per Appendix 11 of Financial Regulation 502 (2) and Treasury Circular No.842 dated 19 December 1978.	The Registers of Fixed assets have been updated according to the available information.	According to the circular and the Financial Regulations, the Register of Fixed Assets should be maintained correctly in an updated manner by assessing the assets owned by the Department.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
An outstanding revenue of Rs. 343,800 that remained receivable from the Presidential Secretariat to the Department over a period from 03 to 05 years in respect of securing lodgings in the Polonnaruwa Pulathisipura Holyday Bungalow had not been recovered even by the ends of the year under review.	A committee has been appointed to take further actions.	The management should take all necessary possible steps to recover the dues as soon as possible.

2.2 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Out of Rs. 6,700,000 allocated under the Capital Object No. 311-1-1-1-2506 for the infrastructure development, a sum of Rs. 3,805,648 representing 57 per cent had been saved by the end of the year under review without being used for development activities. The absence of proper plans in the allocation of this provision had directly contributed to this situation.	The delays in making physical plans amidst the chaotic situation in the country resulted in these savings. Furthermore, provisions granted for the Lolugaswewa project were inadequate.	After conducting an adequate study on the future situations, action should be taken to allocate provision according to a proper plan.

2.3 Non-compliance with laws, rules and regulations.

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
(i) Paragraphs 03 and 04 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	1,310,732	Official travels shall be conducted in a manner that minimize cost to the Government and it should be settled through the Traveling Claim (Form Gen. 177). Nevertheless, without taking action accordingly, the Department had spent money without limits on accommodation and meals of the officers of the Department involved in field duties.	Accommodations and meals have been provided only to the officers preparing regional physical plans according to the procurement procedure without being settle it through the traveling claim forms. They have not been paid traveling expenses.	Action should be taken in accordance with laws and regulations and separate approval should be obtained in respect of specific situations.
(ii) Section 4.3 of Circular No. 30/2016 dated 29 December 2016 of the Secretary to the Ministry of Public Administration and Home Affairs	1,599,200	Although the engineering certificate on the maintenance of Government vehicles should be obtained and payments should be made accordingly in the event of repairing vehicles, payments had been made for such repairs carried out on 14 occasions without obtaining the aforementioned certificate.	Action will be taken to involve a Mechanical Engineer in the future.	Action should be taken according to the circulars in connection with vehicle repairs.

2.4 Issuance and Settlement of Advances

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of Financial Regulation 371 (5) as amended by State Finance Circular No.01/2020 dated 28 August 2020, the Staff Grade Officers who obtains ad hoc sub-	Officers have been informed to settle sub-imprest within a period of 10 days.	It is a responsibility of the management to introduce methods and procedures to settle sub-

imprest should settle it within 10 days from the completion of the related task. Nevertheless, sub-imprest totaled Rs. 857,470 related to 20 occasions had been settled after a delay between 12 and 64 days.

imprest within 10 days as per the circulars.

3. Operating Review

3.1 Vision and Mission

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Vision of the National Physical Planning Department is to be the Leader in Planned, Sustained and Adored land, and the mission is to formulate national physical policies, plans and strategies and to ensure and monitor the implementation of such national policies and plans through regional and local plans with the object of promoting and regulating integrated planning of economic, social, physical and environmental aspects of land and territorial waters of Sri Lanka. Nevertheless, 64 employees of the Department had been continuously attached to clean religious places and carry out other activities by deviating from the mission; and, a sum totalling Rs. 25,349,196 had been spent by the Department for the year under review as salaries and overtime thereon, but it was observed that provisions in that connection had not been included in the Town and Country Planning Ordinance.</p>	<p>The Secretary to the Ministry was requested that the said employees be attached to the Ministry of Buddha Sasana, but that request was turned down. A meeting has been scheduled in this connection under patronage of Secretary to the Ministry of Urban Development and Secretary to the Ministry of Buddha Sasana, Religious and Cultural Affairs.</p>	<p>Attention should be brought on vision, mission and objectives of the Department thus the existing resources should be utilized effectively, productively and economically in view of realizing the relevant objectives within the scope.</p>

3.2 Failure to Discharge Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>a) Formulation of national physical policies and preparation of national physical plan should be done in terms of Town and</p>	<p>Amendments to the national physical planning policy and plan had been completed by January</p>	<p>The national physical plan should also be approved by the Cabinet in terms of Section 07 of the Act, and</p>

Country Planning Ordinance No.13 of 1946 (Cap. 269) and Town And Country Planning (Amendment) Act No. 49 of 2000. By 31 October 2021, necessary amendments should have been brought to the national physical plan prepared in the year 2019 in accordance with Action Plan of the year 2021. However, it had not been done even by 31 December 2022. A sum of Rs. 529,351,900 had been spent for the Department after 2019 during the period from 2020 up to the end of the year 2022, but the national physical plan had not been amended and approval had not been obtained thereon.

- b) Activities such as limiting the growth of settlements and demolition of unauthorized constructions in the sacred area of Anuradhapura, had not become under scope of the Department. Nevertheless, following a Cabinet decision, the Department had been assigned with the implementation of Lolugaswewa township development project relating to the said activities; and, provision amounting to Rs. 634.7 million had been made for the period 2016-2022. Nevertheless, only a sum of Rs. 13.4 million therefrom equivalent to 02 per cent, had been utilized up to the year 2022 whilst only the project office had been constructed. Following the failure in evicting the encroachers, it had been planned to obtain consultancy services by paying a sum of Rs. 11.4 million to prepare an Action Plan for resettlement. Officers of the Department assigned with the responsibility of cleaning the

2022. Recommendations of the interim ministerial coordination committees had also been obtained. A date had been requested in order to bring the matter before the meeting of national physical criteria committee scheduled to be held under patronage of the President. Nevertheless, a date had not been scheduled even by 29 May 2023.

physical development works done in the country should be in compliance therewith. In the event of deviations, the Department should notify in that connection.

The management is accountable for being responsible for affairs not coming under their scope. Considering the utilization of resources on affairs not relevant, it is observed that execution of activities of national significance under their scope would either be delayed or neglected. As such, the management should take measures to perform duties assigned under their scope.

scared area of Anuradhapura, had occupied the said project office, and a sum of Rs. 3.3 million had been spent annually as their salaries. As such, the tasks expected from this project could not be executed even after 06 years.

3.3 Failure to Achieve the Expected Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>It had been planned to prepare physical plans for 21 small townships under service center (small townships) development project in the year 2021. Nevertheless, none of those plans had been completed by the year 2022 due to poor supervision of the management. Due to this reason, constructions had been made with incongruity and common amenities had been established without a proper plan. As such, it was observed that this would give rise to environmental issues.</p>	<p>Despite being planned to prepare 20 physical plans for regional areas, it was hampered by Covid-19 outbreak. As such, it was decided to prepare plans for 08 centers close to the Head Office.</p>	<p>Action should be taken to prepare and present the physical plans as scheduled.</p>

3.4 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>a) According to Section 2.11.1.2.3 of Procurement Guidelines-2006, every meeting of the Procurement Committee should be held as per a timetable, and an attendance registers and minutes of the meeting should be maintained in accordance with the specific format. However, the Department had not done so.</p>	<p>Although the procurement timetable had not been included in the Procurement Plan as per Section 2.11.1.2.3 of Procurement Guidelines-2006, provisions of the Procurement Guidelines have been followed.</p>	<p>Minutes of the meetings of the Committee should be maintained as per Procurement Guidelines.</p>
<p>b) A detailed Procurement Plan should be prepared in terms of Section 4.2 of the Procurement Guidelines, it had not been so done.</p>	<p>Prepared after 2023.</p>	<p>A detailed Procurement Plan should be prepared in terms of Procurement Guidelines.</p>

- | | | |
|--|-------------------------------------|--|
| <p>c) An electronic procurement system had been established in terms of Public Finance Circular, No. 08/2019 dated 17 December 2019 in order to ensure efficiency in the procurement process. The electronic procurement system should have been used for activities such as, registration of procurement entities, registration of a coordinating officer (LOS), registration of sellers, publication of annual Procurement Plan and procurement notice, and shopping method. However, the Department had not done so within the year under review.</p> | <p>Registered in the year 2023.</p> | <p>The electronic procurement system should be used in accordance with the Circular.</p> |
|--|-------------------------------------|--|

3.5 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>A land in extent of 0.0506 hectares assessed to the value of Rs. 5,000,000 and provided for the Department by Divisional Secretary, Kundasale, had remained idle for 13 years without being used for any development purpose.</p>	<p>Provision for development works could not be requested following the decision that financial provision should only be used for essential state services in terms of Budget Circular No. 02/2023.</p>	<p>In case that the lands acquired could not be used for development works, such lands should be returned to be used on other priorities.</p>

3.6 Management Inefficiencies

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>a) Although the revenue received in the year under review from 05 rest houses and circuit bungalows, totaled Rs. 870,250, twelve employees had been attached to them, and a sum of Rs. 27,460,762 had been paid as their salaries and overtime. Accordingly, losses had incurred due to maintenance of circuit bungalows, but no plans had been put in place to maintain them in a profitable manner.</p>	<p>Due to Covid-19 outbreak in the year 2021 and fuel crisis in the year 2022, tourist arrival was on the decline.</p>	<p>Action should be taken to increase revenue and control the expenses.</p>

- | | | |
|--|---|---|
| b) A sum of Rs. 3,805,648 equivalent to 57 per cent of the sum of Rs. 6,700,000 allocated for infrastructure development under Capital Object, 311-1-1-0-02-2506, had not been spent on the intended purpose and saved by the end of year. | Provision had saved due to non-implementation of Lolugaswewa project. | Action should be taken to fulfil the intended purpose on time by utilizing the provision allocated. |
|--|---|---|

04 Sustainable Development Goals

Audit Observation	Comment of the Accounting Officer	Recommendation
Activities such as, identification of indicators, publishing the key performance indicator, recognition of parties relating to the scope of the institution, and recognition of officers for coordination of sustainable development goals, had not been done in terms of Circular No. 02/2017 of the National Budget Department.	Activities such as, identification of indicators, publishing the key performance indicator, and recognition of scope of the institution have been completed in terms of Circular No. 02/2017 of the National Budget Department. Recognition of related parties has been commenced at present.	Action should be taken in terms of the Circular for recognition of sustainable development goals.

05. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
Approved cadre was 289 as at 31 December 2022 whereas the actual cadre stood at 178, thus there existed 111 vacancies including 30 posts of Director(Planning) essential for executing functions of the Department.	According to Circular No. 05/2022 of the Department of National Budget dated 2022.09.02, recruitments to posts receiving salaries from the Consolidated Fund, had been delayed.	Action should be taken without delay to make recruitments to the essential posts.