

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 2021 comprising the statement of financial position as at 31 December 2021 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 31 May 2022 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 June 2022 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 2021, 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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
(a) The value of the Anuradhapura Malwat Oya Thimbirikadawala land which had been received for a development project and which had not been taken over by the Department had been indicated as Rs 92,000,000 under property, plant and equipment in the Statement of Financial Position.	Have corrected on 28 May 2022.	Only assets to which the Department is entitled should be accounted for.
(b) Registers and Books not being maintained -----		
It was observed in sample audit test that certain registers mentioned below had not been maintained by the Department whilst certain registers had not been maintained upto date.		
(i) In terms of the Treasury Circular No 842 dated 19 December 1978 and as per 11 paragraph of Financial Regulation 502 (2) the fixed assets registers had not been updated.	Fixed asset register have been updated . In accordance with financial regulation 502(2) the assets are noted in 287 form.	Asset Register should be maintained upto date as per circular and financial regulations.
(ii) Log books had not been updated in terms of Financial Regulation 1645 (a).	All vehicle related log books are updated by 30 th May 2022.	As per financial regulations vehicle log books must be maintained upto date in respect of each vehicle.

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| (iii) | Attendance Register of Procurement Committee and Technical Evaluation Committee. The Secretary to the Committee had not maintained a Register of Attendance as per Guideline 2.11.2 of the Government Procurement Guidelines. | Missed in 2021. It will be maintained in the future | Government procurement Guidelines should be followed. |
| Iv | A security deposit register containing the particulars of officers and servant was not prepared in terms of financial regulation 891 (1) | For the financial responsibilities related to the department the security statement related to the officers and how to put the security has been submitted for the approval of the Secretary of the Ministry. | A security deposit register must be maintained as per the financial regulations 891. |

2. Financial Review

2.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>The outstanding income of Rs. 343,800 that is to be recovered from the Presidential Secretariat for a period from 1 to 5 years for providing accommodation in the Polonnaruwa Circuit Bungalow had not been recovered even by the end of the year under review.</p>	<p>The President's Secretary has been informed through 06 letters, but the payments have not been made so far.</p>	<p>Before giving accommodation in a resort should be charged and arrears should be charged before re-accommodation.</p>

2.2 Expenditure Management

Audit Observation

In terms of Financial Regulation 50, it is the responsibility of the Accounting Officer to prepare expenditure estimates as accurately as possible. However, a total of Rs. 4,434,305 ranging from 34 per cent to 100 per cent out of Rs. 9,900,000 which was the total estimated allocation of 04 Votes, had been transferred to other Votes during the year.

Comment of the Accounting Officer

Due to the unexpected repairs of 03 vehicles they had to be transferred, due to the absence of foreign travel, the reduction of vehicle maintenance and the limitation of official travels there were savings in those expenditure subjects.

Recommendation

While preparing estimates, the current situation should be taken into consideration.

2.3 Exceed Limitation

Audit Observation

(a) The minimum limit of the receipt of advances approved for the Department was Rs. 8,300,000. Since the actual value of advance receipts was Rs. 6,587,149, it was observed that the receipts had not reached to the minimum limit by Rs. 1,712,851.

(b) Although the loan balances of the transfers officers should be settled promptly as per the instructions of section 3 (b) of the State Finance Circular No 5/2019 dated June 17, 2019 the amount of Rs 203,200 due from an officer transferred to the Ministry of Justice from April 01,2021 was not taken till 31 st of December of the year under review.

Comment of the Accounting Officer

A letter has been sent to the Director General of the National Budget Department on 31 st December 2021 for the relevant amendment.

Settled by February 2022 Account Summeries.

Recommendation

If it is not possible to reach the approved limits then must be complied with the legal requirement of obtaining approval before the due date.

Unsettled loan balances should be settled promptly.

- (c) As per the instructions issued under Section 3(b) of the Public Finance Circular no: 5/2019 dated 17 June 2019, measures should be taken in accordance with Chapter XXIV of the Establishments Code in respect of loan balances of retired officers and get them settled expeditiously, but action had not been taken, even by 31 December of the year under review, to recover loan balance amounting to a total of Rs. 654,905 that is due from 05 officers who retired during the period from 31 December 2020 to 21 September 2021 and who have paid retirement gratuity as at 31 December of the year under review.
- The loan balance of Rs 175,190 has been recovered in February 2022.
- The loan balance of the retiring officer should be recovered from the gratuity.
- (d) Loan balances of officers who vacated the post should be settled expeditiously by taking action according to the instructions issued under Section 3(e) of the Public Finance Circular no: 5/2019 dated 17 June 2019 and as per Chapter XXIV of the Establishments Code. Although a period from 02 to 25 years had passed, a total of Rs. 202,175 that is due from 03 officers had not been recovered.
- The approval of the Ministry Secretary has been received to write off the loan balances of two officers which totaled Rs 30,000. Arrangements are being made to recover the other loan balance.
- Actions should be taken to recover.

2.4 Incurring of Commitments and Liabilities

Audit Observation	Comment of the Accounting Officer	Recommendation
For the year 2021, the value of 24 vouchers amounting to a total of Rs. 667,868 that was spent in 2022 had not been entered in the Statement of Liabilities for 2021.	During the preparation of the financial statements of the year 2021 of many liabilities as possible have been identified and included.	Accounts should be properly identified and accounted.

2.5 Non-compliances with Laws, Rules, and Regulations

Incidences of non-compliance with the provisions of laws, rules and regulations observed during sample audits are analyzed below.

Reference to Laws, Rules and Regulations	Value Rs.	Non-compliance	Comment of the Accounting Officer	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 880	273,000	Even though the officers who administratively responsible for, or who under delegation are entrusted with the custody of public money, revenue, or stores in accordance with the Cap. 612 of the Regulation should give security, 36 officers had not furnished an amount of Rs. 273,000 as security.	The letter related to the amount and form of security related to officials has been submitted for the approval of the Secretary of the Ministry of Urban Development and Housing.	Financial regulations should be followed

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| (b) | Circular no: 18/2001 dated 22/08/2001 of the Secretary to the Ministry of Public Administration, Home Affairs and Administrative Reforms | Action should be taken to transfer officers of the All-Island Services if they have served in one workstation for 5 years, but no such action had been taken in connection with 31 officers and their term of service ranged from 06 years to 33 years. | Combined service officers with more than 05 years of service have been updated to transfer data system (misco) | Proceed as per the circular. |
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2.6 Issuing and Settlement of Advances

Audit Observation

Comment of the Accounting Officer

Recommendation

(a) According to Public Finance Circular no. 01/2020 dated 28 August 2020, and Finance Regulations 371(5) staff officers who obtain ad-hoc sub-impres shall settle the imprest within 10 days as soon as they complete their task, but sub-impres amounting to a total of Rs. 131,790 had been settled at a delay of 29 to 125 days at four instances.

Will minimize this situation in the future and settle the advance properly.

Should be done according to circulars.

(b) The sum to be collected from 05 officers of the department is an advance balance of Rs 475,350 on 31 December 2021 and in that balance there was an advance balance of Rs 80,000 which existed for 5 years.

Advance will be settled

Should be done according to circulars.

2.7 Balance Recoverable

Audit Observation	Comment of the Accounting Officer	Recommendation
This is to recover Rs 610,782 due to an Assistant Director (Architecture) who resigned from public service on 14 th of August 2015 while he was abroad without pay after signing a bond while being employed permanently in the department had not been acted upon.	Necessary work is being done.	Arrangments should be made for immediate recovery.

3. Operating Review

3.1 Vision and Mission

Audit Observation	Comment of the Accounting Officer	Recommendation
The vision of the National Physical Planning Department is “Mannered, Geared and Smart Nation in Planned, Sustained and Adored Land”, and the Mission is “To formulate National Physical Planning 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”. However, 115 employees of the Department had been engaged in cleaning	In the year 2019 the National Physical Plan 2020 has been published in the Gazette. Work has begun to update that plan.	Focusing on the Department’s vision, mission and objectives the department should prepare a suitable plan to achieved them.

sacred places and other affairs continuously outside the Mission. Therefore, the Department had to consume time and labour to monitor those tasks and Department had not been necessary implement for objective.

3.2 Functions not being fulfilled

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) In terms of Section 07 of the Town and Country Planning (Amendment) Act no. 49 of 2000, formulation of national physical planning policies and the preparation of national physical plan had to be concluded by 31-01-2022, but the task had not been concluded and forwarded even by 31/03/2022. A sum of Rs. 1,240,938 had been spent on physical planning in 2021.</p>	<p>The June 2019 National Physical Plan was published by the Gazette and a senior urban architect was consulted to updated it and a private firm was assigned to prepare the relevant maps. The updated National Physical plan should be submitted to the other Ministries Committee and National Physical Design Council but after its approval the institutions should be informed to implement the plan.</p>	<p>It should be done according to the Act.</p>
<p>(b) The Lolugaswewa Township Development Project was initiated in 2016 to restrict the propagation of settlements in the Anuradhapura sacred area and to remove unauthorised constructions. Provisions amounting to a total of Rs. 634.7 million had been made from 2017 to 2021, and during 05 years, only a sum of Rs. 13.41 million, i.e., 2.1 per cent, had been spent by the year under review. However, construction of project office and marking boundary of land had been</p>	<p>The project could not be started due to the delay of the department of forest conservation till June 2021 to release the land for these projects.</p>	<p>Efforts should be made to carry out the basic activities required for the implementation of the project within the stipulated time and estimates should be prepared accordingly and project should be implemented properly.</p>

carried out in addition to the feasibility study carried out in 2017. In this case attention was not given to the social problems related to the relocation of the residents of sacred area to Lolugaswewa town. Accordingly, action had not been taken to achieve the objectives.

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| (c) Preparation of 03 regional physical plans for Eastern, Uva and Northern provinces had been included in the Action Plan of the year under review, but these plans had not been prepared since the National Physical Plan had not been formulated. | The guidelines for preparing regional plans have been updated and preliminary work has been started but due to the corona situation the work could not be done. | Efforts should be made to implement the action plan prepared according to the needs of the country and the mission of the department. |
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3.3 Not Achieving the Expected Level of Outcome

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Preparation of plans for 13 regional physical plans out of 20 plans (Small towns or service centres) handed over by institutions, had not been carried out till the end of the year, and the Department had completed the preparation of 03 plans only and the formulation of 04 plans were in progress.	Due to the corona pandemic it was decided to prepare plans for 09 service centers.	Physical plans which are a major fund of the departments should be prepared and delivered on the scheduled date.
(b) In declaring a sacred place, a field test is carried out in the area which is considered a sacred place and if it has met criterias which are deemed necessary, then the place is declared as a sacred place by a Gazette. Expecting to prepare plans, develop and declare 10	Before publication by the Gezetee, certified Survey plans of those lands and verification of legal ownership of those lands should be done. Due to the delay in those activities the Gazettee annoucement of sacred place was delayed.	According to the mission and vision of the department the necessary measures should be implementation to complete the

Maha Viharas as sacred places during the year under review, field tests had been carried out for 07 viharas. However, only the Kurunegala Meddepola Raja Maha Vihara had been declared as a sacred place by a Gazette during the year.

expected tasks within the specified time.

3.4 Procurements

Audit Observation	Comment of the Accounting Officer	Recommendation
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<p>(a) A procurement plan had been prepared to make purchases of Rs. 7.3 million, and Rs. 4.78 million had been spent according to the procurement plan. Further, procurement activities amounting to a total of Rs. 3.29 million related to 8 items which had not been included in the procurement plan of 2021 had been carried out during the year under review.</p>	<p>Due to the identification of tasks that should be prioritized, those tasks were carried out.</p>	<p>The priority tasks should be properly identified and the procurement plan should be prepared and it should be done accordingly.</p>
<p>(b) According to 2.11.1 (d) of the Procurement Guidelines, a joint meeting of Procurement Committee and Technical Evaluation Committee should be held to reach agreement on procurement timetable, procurement method, and type of bidding documents, but such action had not been taken for procurement activities worth Rs. 7.3 million carried out during the year under review.</p>	<p>In the future arrangements will be made to hold joint meetings of procurement committee and technical education committee.</p>	<p>Procurement guidelines should be followed.</p>

3.5 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) In terms of Section 3.1 of the Public Administration Circular no. 30/2016 dated 29 December 2016, the consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000km or after carrying out a major repair to the engine, whichever occurs first, but fuel consumption of 04 vehicles had not been tested after 2014; such tests had not been carried out on 04 more vehicles and 06 other vehicles after 2019 and after 2020 respectively.	2021 fuel testing of 5 vehicles has been done,	Proceed as per the Circular.
(b) The running chart and running summaries of the vehicles of the department should be properly prepared and sent to the audit with signature of the officer in charge of vehicles before the 15 th day of the next month after the relevant month in accordance with the finance regulation 1646, but this was not done.	The errors was noted to be corrected.	Vehicle running chart and summaries should be submitted on the scheduled date for audit.
(c) It was observed that the Department had to pay an outstanding fine for 05 vehicles because of delay ranging from 06 months to 91 months had occurred in obtaining Revenue Licenses for those 05 vehicles and 04 vehicles had not been used for running since 2015.	After making it running condition arrangements will be made to obtain licenses.	Arrangements should be made to obtain vehicle licenses within the stipulated time so as not to pay fines.
(d) Action had not been taken to take over the ownership of 05 vehicles worth Rs. 31,750,000 which were obtained by the Department on hire purchase basis in 2017 to the Department.	In progress to take over.	Arrangements should be made to take over the owner ship within the stipulated time.

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| (e) | The Department had spent a sum of Rs. 2,940,390 to repair engines of 04 vehicles, and the said expenditure had been incurred under Capital Expenditure Vote, but that expenditure had not been added to the value of vehicles and capitalized and included in the report submitted to the (Comptroller General) Treasury or Vehicle Register. | The vehicle was not entered in the register by Mistake. Corrections will be send to the Comptroller General. | Values should be recorded correctly in asset register. |
| (f) | Action had not been taken to take over the ownership of the following lands which belong to the Department, estimate their value and enter in accounts. | Negotiations are underway with the land commissioner General regarding the acquisition of the right. | The land belonging to the departments should be taken over and accounted for promptly. |

<u>Location of Land</u>	<u>Code</u> of
<u>Asset</u>	
Land of Kataragama	
Osu Uyana	6113124
(Herbal Garden)	
Land of Kataragama	
Pilgrims' Rest	6113124
Land of Kataragama	
Circuit Bungalow and	6141101
Kataragama land	

3.6 Management efficiencies

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Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) A caretaker of a circuit bungalow of the Department had misused money by preparing forged documents in 2020. An investigation into the matter had been carried out only at the institution level, but no final decision had been taken.	Trying to find the officers residence.	Proper investigations should be conducted promptly and a decision should be taken.

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| (b) | The Department had spent a sum of Rs. 89,609,700 to renovate its 02 Rests in Kataragama in 2019 and 2020, but the income earned in the years 2019, 2020 and 2021 were Rs. 383,900, Rs. 86,900 and Rs. 10,450 respectively. | Due to the Covid pandemic the income has decreased compared to 2019. | A program should be prepared so that at least sufficient income can be earned for the expenditure. |
| (c) | Action had not been taken to provide Living quarters/Official residences bearing no. 104 situated on the Diyawanna Park Road purchased for a value of Rs. 5,160,000 in 2015 to employees considering the requirement of official residences or to use for another requirement of the Department and the asset had been maintained idle. | During the period no requests were made for the quarters and it will be possible to allocate properly in the future. | Efforts should be made to make use of the assets owned by the departments. |
| (d) | The department does not charge fees from government agencies for preparing plans but an estimates of Rs 180,000 was submitted to the local council on 2018 October 31 . to prepare city development plan for Udubaddawa city and received Rs 68,000 as a advances on 08 February 2019. The period of preparation of this plan was given in the estimates of December 2018 to March 2019, but the plan had not been prepared by 17 th of June 2022 and the amount of Rs.68,000 recovered from the local council' over kept in public deposits and later credited to the state revenue. | Comments had not been given. | Follow up should be done regarding the not dealing with generally existing method of preparing city plan which are the main task of the department and the non performance of those tasks on the scheduled date. |

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| <p>(e) Out of a sum of Rs. 205,200,000 allocated for the development of infra-structure under Capital Expenditure Vote 311-1-1-0-02-2506, an amount of Rs. 202,607,846, viz. 98.74 per cent, had not been spent on development activities and remained at the end of the year.</p> | <p>Due to the non implementation of the Lolugasewa Project the provision was saved.</p> | <p>Allocations should be spent for the implementation of the taken to fulfill the basic objectives of the organization and those taken should be completed on the scheduled date.</p> |
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4. Human Resource Management

Following observations are made.

Audit Observation -----	Comment of the Accounting Officer -----	Recommendation -----
<p>(a) The cadre was 283 as at 31 December 2021 in addition to the 115 posts which comprised of 10 posts of overseer, 14 posts of watcher and 91 posts of labourer that were created as personal to the holder of the post as per the letter no. DMS/1 117 dated 07 February 2014 of the Department of Management Services for serving in sacred places, and the actual staff and the number of vacancies were 158 and 125 respectively, Viz out of 51 approved posts in the Executive Grade, 41 posts had fallen vacant. This number was to 80 per cent of the approved carder. Therefore, the number of vacancies was a high percentage of 44 out of total approved cadre. Because of this reason the affairs of the Department could not be carried out efficiently and</p>	<p>work is in progress to fill vacancies.</p>	<p>In order to carry out the work of the department efficiently and effectively the necessary vacancies should be filled in due time .</p>

effectively It had been decided to assign a consulting service of senior city architect to update the National Physical plan and to entrust the preparation of related maps to another private institution and transfer to SELESINO institution to prepare an information report to inform the relevant institutions about the implementation of the approved national physical plan. Thus it was observed that most of the major functions of the department are outsourced from the department

- (b) Action had been taken to make acting appointments continuously to the post of Additional Director General from 3rd July 2017 for 04 years and 02 posts of Assistant Director from 30th November 2015 for 06 years in contrary to the 13.3 of the Establishment Code.

Work is in progress to fill vacancies.

As per the establishment code work acting appointment vacancies should be filled within 2 months and immediate actions should be taken to fill these vacancies which affecting the performance of the institutions.