

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

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### **1. Financial Statements**

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#### **1.1 Unqualified Audit Opinion**

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The audit of the financial statement of the Department of National Planning for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018, the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department of National Planning was issued to the Accounting Officer on 29 May 2019 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018. The Detailed Annual Management Audit Report relating to the Department in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 28 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Department of Public Enterprises as at 31 December 2018, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities of the Financial Statements, are further described in the Auditor's Responsibilities section. 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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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 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 Sub-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 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.
- That the transactions and events underlying the structure and content of the financial statements are appropriately and fairly presented when submitting financial statements as a whole.

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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I express the following matters in accordance with Section 6 (d) and Section 38 of National Audit Act, No. 19 of 2018.

Since there was no requirement for the Department of National Planning to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

## 1.6 Comments on Financial Statements

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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>Reference to Laws, Non-compliance Rules and Regulations</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(i) Section 13.3 of Chapter ii of Establishment Code of the Democratic Socialist Republic of Sri Lanka	An acting appointment should only be made as a temporary remedy until a permanent appointment is made. The permanent appointment should be made immediately if a position requires the service of a full-time officer. Even though the service of a full-time officer is not required, it is stated that action should be taken in accordance with Section 13.2, acting appointment to the post of Additional Director General had been granted to two officers serving as the post of Director from 02 May 2013 subject to the covering approval of the Public Service Commission by the Secretary to the Finance and Planning. Acting	Should act in accordance with the Establishments Code.  Acting appointments had been made on the service requirement of the Department. By now they had been promoted to Special Grade of Sri Lanka Planning Service from 26.09.2017 as per decision is given by Supreme Court on Supreme Court case No. S.C.(FR) 73/2018.

allowances and other allowances entitled to that post had been paid from the date of appointment to 31 December 2018.

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| (ii) Public Administration Circular No.02/2018 dated 24 January 2018. | The instances which were not acted in terms of the circular are as follows. | Should act in accordance with the circular. | I noted to act with compliance to Public Administration Circular 02/2018 for the development of human resources in the public sector. |
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- (i) Not signing annual performance agreements for the entire staff.
  - (ii) Lack of proper methodology to identify the skills gap between the existing competencies relating to responsibilities specifically assigned to the entire staff and the competencies that must exist for the success of the duties.
  - (iii) No specific Human Resource Development Plan had been prepared to the institute to minimize the competences gap.
  - (iv) Every member of staff must ensure a minimum of 12 hours of training opportunity in the Human Resources Development Plan. The Department consists of 85 staff members as at 31 December 2018 and the local and foreign

training opportunities had been given only to 32 staff members representing 37 per cent during the year 2018.

## 2. Financial Review

### 2.1 Management of Expenditure

The following observations are made.

Audit observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs.80,387,712 or 70.5 percent savings were existed out of the total net provision for capital expenditure of Rs.114,000,000 for the year under review and the savings of three recurrent expenditure codes were higher than 50 percent of net provisions.	Estimates should be prepared as accurate as possible.	Even though it was needed to renovate three buildings under renovation and upgrading of buildings, this was due to reduce in expected costs in one and this was due to a decrease in the expected cost of one project and buildings were not done in two projects due to the busyness of the Building Department. The allocations were saved due to conducting follow-up and training workshops only for the staff of the Department under the staff training and it received a grant from JICA. The project preparation facilitation program is being implemented with World Bank assistance and achievement of its progress is beyond our control.
(b) A total net provision of Rs.1,546,000 under a recurrent expenditure code and a sum of Rs.433,484 or 24 per cent out of net provision of Rs.1,800,000 had provided under another one expenditure code	Estimates should be prepared as accurate as possible.	The activities are being commenced since mid of 2017 for purchase of vehicles under operational lease method and the total net provision of Rs.1,546,000 had provided as lease installment was saved because purchase activities couldn't be completed due to various problems that exist there.

were being existed as savings as at 31 December 2018.

There was a saving of 24 per cent due to expenditure was not incurred for the translation fee as expected during the year.

- (c) Transfers by FR 66 to basic cost estimates of 4 expenditure codes during the year under review was ranged from 33 per cent to 63 per cent as a percentage of the initial estimate. Estimates should be prepared as accurate as possible.

**Revision of Basic Cost Estimates of Four Expenditure Codes**

The reasons for that were, an Additional Director General of the Department had to participate in the Annual Conference on Sustainable Development which had not been predicted, The expenditures were not incurred as expected due to the vacancies of uniformed officers in the Department, No major repairs, as expected, The payments did not happen as lease installments due to the non-purchase of vehicles under the leasing method.

**3. Operational Review**

**3.1 Planning**

<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The Annual Action Plan prepared by the government departments should include activity plan prepared according to the priorities based on the annual budget, Activity Time Line, and anticipate outcome of such activities according to Section 3(b) of the Public Finance Circular No.2014/01 Dated 17 February 2014. However, the Action Plan prepared for the year 2018 by the Department of National Planning had not</p>	<p>The actions should be operated to achieve those targets by the specifically mention of desired targets as much as possible.</p>	<p>The Activity Time Line and anticipated outputs/targets of such activities implemented by this Department unable to specify in the Performance Plan prepared for the year 2018 because it is difficult to make a prediction with regard to the project proposals and Cabinet Papers which were presented by expecting recommendations by other Ministries and Departments for evaluations. The Activity Time Line and anticipated outputs about the activities carried out by the Establishment and Accounts Divisions of the Department were noted.</p>

specifically mentioned the expected targets.

### 3.2 Non-achievement of Expected Output

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<p>(a) The relevant Ministry had been informed that there is no objection to implementing and amending of the projects without evaluating the following projects in respect of the provisions allocated in the Southern Development Plan for the preparation of Special / Regional Development Plans which is an activity of the Action Plan 2018.</p> <p>(i) Implementing of 712 projects in the Matara District valued at Rs.554.25 million.</p> <p>(ii) Implementing of five new projects valued at Rs.49.64 million in Matara District.</p> <p>(iii) Among the approved projects, (submitted for amendment on 2 occasions) amending of 15 projects in the Divisional Secretariat Divisions in Matara District.</p>	<p>The necessary actions should be taken to improve the efficiency and productivity of the project by giving recommendations after evaluating whenever possible.</p>	<p>In this case, if you take into consideration the small number of activities in an action plan by considering each other and prepare the evaluation reports, it will take a long time. The budget allocations will not be able to be utilized in the current year due to the inability to implement the projects in a timely manner and I also observe that it is impractical to create separate evaluation reports for hundreds of such small activities.</p>
<p>(b) The activity such as Preparation of Planning Techniques included in</p>	<p>Action should be taken to perform activities included</p>	<p>Although it is planned to obtain financial support from an outside institution to update the book on</p>

the Action plan had not been carried out in 2018. in the Action Plan Preparation of Planning Techniques shown in the action plan, the work couldn't be done because it couldn't be obtained.

### 3.3 Procurements

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Audit observation	Recommendation	Comments of the Accounting Officer
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(a) Quotations were called from 3 approved companies only for essential repairs by rejecting the estimate of Rs.865,514 presented by the Toyota Lanka (Pvt) Ltd due to the high price. The repair was done at a cost of Rs.417,498 by calling quotation only from Toyota Lanka Company again on 02 occasions without doing the repair at the lowest price of Rs.322,525 among those prices.	Quotations should not be called on uniformly multiple occasions for the same purpose.	Quotations were called from the local agent for repairs and the estimate sent was Rs.865,514. Due to the high price of that, Although the bids were called from registered garages, an estimate of Rs.401,010 was given from the local agent again as instructions were received to obtain an estimate. Although an effort was taken to obtain a vehicle on the Operating Lease method, an estimate was taken again due to its failure. That estimate has increased as Rs.417,498 and this repair was carried by referring to the Procurement Committee as per approval of the Director General by using genuine spare parts under new estimate on recommendation given earlier.
(b) Declarations made by members of the Procurement Committee and Technical Evaluation Committees had not been obtained by the Department in accordance with 2.12 of the Procurement Guidelines.	Actions should be taken as per Procurement Guideline	It was noted that to obtain the declarations made by the members of the Technical Evaluation Committee and the Procurement Committee.

#### 4. Achievement of Sustainable Development Goals

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Every organization should act in accordance with the United Nations' 2030 "Agenda" for Sustainable Development. The Department was aware of that and set out sectoral sustainable development strategies for the agriculture sector with relevant goals and strategies.	----- All government agencies should act in accordance with the United Nations Year 2030 "Agenda" on Sustainable Development.	----- The development strategies and policies already prepare by the Department are being prepared in line with Sustainable Development. Sustainable Development Strategy was prepared for the Agriculture Sector is an example of this. The activities are being implemented to identify the Sustainable Development Goals and Strategy for eight other key areas during this year. It is compulsory that presenting evaluation criteria and strategies relevant to Sustainable Development by all projects and complying with Sustainable Development was included in the new project evaluation sheet as evaluation criteria when evaluating the projects.

#### 5. Human Resources Management

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<b>Audit observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The approved cadre of the Department was 118 and the actual staff was 85 as at 31 December 2018 thus 33 vacancies were existed. It was consisted of 12 senior level vacancies, 02 tertiary level vacancies and 15 vacancies in secondary level and 04 in primary level vacancies.	----- Action should be taken to fill the vacancies or revise the approved cadre	----- Requests had been made from time to time from the Ministry of Finance to fill the vacancies.