

## **Head – 311 Department of National Physical Planning**

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### **1 Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statement of the Department of National Physical Planning for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the National Physical Planning Department of Sri Lanka was issued to the Accounting Officer on 30 May 2020 in terms of Sub-section 11 (1) of the National Audit Act, No. 19 of 2018, and 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 07 October 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution 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 of Sri Lanka as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). 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 qualified opinion.

#### **1.3 Responsibilities of Chief Accounting Officer and Accounting Officer for the Financial Statements**

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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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine 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 National Physical Planning Department of Sri Lanka 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'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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, 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.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

## 1.5 Report on Other Legal and Regulatory Requirements

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In accordance with Section 6 (d) of the National Audit Act, No. 19 of 2018, the financial statements presented for the year under review were consistent with the preceding year.

## 1.6 Comments on Financial Statements

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### 1.6.1 Accounting Deficiencies

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The following observations are made.

#### (a) Recurrent Expenditure

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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(i) Even though a sum of Rs.73,661 had been incurred under losses and written off subject No.1701 in the financial statements of the year under review, that amount had not been brought into the vote ledger.	The Recurrent vote Ledger should be kept in timely manner.	It had not been included to Recurrent Vote Ledger.
(ii) In order to maintain two Circuit bungalows in Kataragama, a sum of Rs.602,066 had been incurred only for payment of electricity and water bills. However, no income had been received from one Circuit Bungalow and only a sum of Rs.383,900 had been received from the other Bungalow during the year under review.	Without incurring a loss by the Department, Welfare activities should be conducted.	The Kataragama Circuit Bungalows are being renovated.

**(b) Reconciliation statement of advances to public officers**

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Total loan balance receivable from the officers those who were not in the Department as at 31 December 2019 amounted to Rs.1,346,632 and receivable distress loan balance over 5 years from 2 resigned officers as at end of the year under review amounted to Rs.30,000.	----- Action should be taken to recover the loan balances in arrears.	----- Action has been taken to recover those loans.

**(c) Property, Plant and Equipment**

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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(i) When accounting of non-financial assets, the opening balance of the year under review had been identified after being made the adjustments to the closing balance of the preceding year. However, the total of the closing balances of the preceding year had been overstated by Rs.5,000,181.	The balances of the audited financial statements, should be correctly carried forward.	The values of office equipment and furniture accounts, were changed in between those accounts.
(ii) Even though the Department had constructed 3 circuit bungalows and a vehicle park, the lands belonging to those constructions had not been acquired and any disclosure had not been made in the financial statements in that regard.	Action should be taken to clear the ownership of the assets.	The lands belonging to the constructions are not owned by the Department and action has been taken to acquire those lands.
(iii) As per the approval given by the Secretary to the Ministry on 19 March 2019, 03 motor vehicles owned by the Department, the approximate value of Rs.3,580,000, had been handed over to the Assistant Commissioner of Local Government of Anuradhapura on 31 May 2018. However, the transfer had not been adjusted in accounts and particulars of the motor vehicles had not been reported to the comptroller General.	After being correctly and formally done the assets transfers, the disclosure should be made in the financial statements.	Based on the approval given by the Secretary to the Ministry, 3 motor vehicles had been transferred to the Assistant Commissioner of the Local Government of Anuradhapura. However, the transfer of those assets had not been

accounted and action will be taken to update the accounts.

(iv) A total difference of Rs.3,615,000 was observed between the Non-Financial Assets Register furnished to the Comptroller General according to the Assets Management Circular of the Ministry of Finance and Masmadia No.01/2017 and dated 28 June 2017 relating to the Rest Houses, official residence, circuit bungalows, offices and buildings, and the financial statements.

While updating the Registers of Fixed Assets, the financial statements should be prepared based on those Registers.

Out of those assets , a sum of Rs.19,615 as lands, a sum of Rs.36,500 as circuit bungalows and a sum of Rs.6,950 as office buildings were shown in the financial statements.

(v) The motor vehicle valued at Rs.5,600,000 that had been included to the Non-Financial Assets Register furnished to the Treasury based on the above circular had not been included to the Fixed Assets Register.

Action should be taken to include entire non-financial assets to the Registers.

Action will be taken to update the Non-Financial Assets Registers.

**(d) Not maintaining of Registers and Books**

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The following observations are made.

**Audit Observation**

**Recommendation**

**Comment of the Accounting Officer**

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**Fixed Assets Register**  
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According to the Treasury Circular No.842 dated 19 December 1978 and the Department of Management Audit Circular No.DMA/2009(2) dated 01 September 2009 the Fixed Assets Registers should be maintained. However, Fixed Assets Registers for lands and buildings, machinery and equipment, office equipment, electronic equipment, communication equipment, technical and technical manufacturing equipment, construction equipment and agricultural equipment and dairy farm equipment, had not been updated.

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According to the circular instructions, the fixed assets registers should be maintained.

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Fixed Assets Register are being prepared.

(e) **Assertion should be given by the Accounting officer**

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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In terms of section 38 of the National Audit Act No.19 of 2018, Accounting officers should ensure that existences of effective internal control system for financial control and carry out periodic review to monitor the effectiveness of such systems and accordingly make any alternations as required for such system to be effectively carried out. Although the written copies of such reviews should be furnished to the Auditor General, those copies had not been submitted to audit.	Requirements in section 38 of the National Audit Act, No.2019 of 2018 should be followed.	Action will be taken accordingly.

(f) **Non – compliance with Laws, Rules and Regulations**

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The following observations are made.

<b>Reference to Laws, Rules and Regulations</b>	<b>Value</b>	<b>Non – Compliance</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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	(Rs.)			
Public Administration Circular No.13/2008 dated 26 June 2008.	822,766	Additional fuel allowances should not be requested by the officers whose who entitle for official vehicles and group transport facilities could be arranged for outstation official duties. However, the additional fuel allowances provided to an officer of the Department during the year under review were 4 times than that the entitle fuel allowance of the officer.	Comply with the said Circular.	Agree with the observation.

## 2. Financial Review

### 2.1 Revenue Management

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>The total receivable income from boarding the circuit bungalows, to the Department as at end of the year under review amounted to Rs.346,200. Out of the receivables, the income in arrears amounting to Rs.83,300 was belonging to the year under review and balance due income amounted to Rs.262,900 existed as arrears a period ranging from 1 to 5 years. The receivable income amounting to Rs.340,200 as at end of the year under review was receivable from the Presidential Secretary Office.</p>	<p>Accelerate the recovering process of income in arrears.</p>	<p>Action had been taken to recover the balance receivables amount.</p>

### 2.2 Expenditure Management

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
<p>(a) Without being taken adequate actions to obtain allocations from the Annual Estimates, the allocations ranging from 30 per cent to 100 per cent had been transferred under FR 66 to 05 objects.</p>	<p>Annual Estimates should be accurately prepared.</p>	<p>As much as possible, the estimates will be accurately prepared.</p>
<p>(b) The savings ranging from 40 per cent to 100 per cent were existed from the allocations made for the motor vehicle maintenance, other expenses, implementation of state language policy, rehabilitation and improvement of machines and equipment and acquisition of plat and equipment.</p>	<p>Annual Estimates should be accurately prepared.</p>	<p>As it was informed by the State Budget Circular No.07/2019 to manage the year end expenditure, the relevant functions had not been carried out.</p>

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| <p>(c) Even though the net allocated provision for the Department for the development of infrastructure facilities amounted to Rs.47,554,000 only a sum of Rs.4,881,424 had been expended during the year under review. Thus, out of the total Provision a sum of Rs.42,672,576 or 90 per cent had been saved.</p> | <p>The annual Estimates should be correctly prepared.</p>                      | <p>Due to delaying the transfer of lands by the Department of Forest Conservation the activities could not be implemented according to the plans.</p> |
| <p>(d) Without being taken action to get the allocations from the Annual estimates based on the requirement, the allocations amounted to Rs.2,446,000 or 119 per cent had been transferred to the Object of building constructions from FR 66 transfers of which the annual allocated amount of Rs.2,050,000.</p>  | <p>As much as possible, the annual estimates should be correctly prepared.</p> | <p>Written instructions had been given to transfer the allocations from the objects of which savings were existed.</p>                                |

**2.3 Incurring of Commitments and Liabilities**

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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<p>(a) In terms of FR 115 (2), in unavoidable circumstances, it is not possible to make the payments for claims falling due in December of the preceding year can be settled before the end of March of the subsequent year. However, the liabilities of the year 2019 totaling Rs.201,673 had not been settled even up to end of the year 2020.</p>	<p>According to the said Financial Regulation, entering into liabilities and settlements of claim thereon should be carried out.</p>	<p>The payment for expenditure had been completed during the year under review.</p>
<p>(b) Contrary to FR 115 (3) action had not been taken to settle a retention money amounting to Rs.175,950</p>	<p>According to the said Financial Regulation, entering into liabilities and settlements of</p>	<p>The payments had been completed in the year 2020.</p>

which should have been settled in March 2019. Though that amount had been paid to the supplier in January 2020, it had not been accounted as a liability in the year 2019.

claim thereon should be carried out.

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| (c) | Even though according to the financial statements, the telephone bills payables amounted to Rs.29,906, a sum of Rs.30,862 had been paid as telephone bills of the preceding year up to end of March 2020. | According to the Financial Regulations and circular instructions, the annual expenditure and liabilities should be accounted. | Agreed with the observation. |
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#### 2.4 Utilization of Provisions given by other Ministries and Departments

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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The capital provisions amounting to Rs.60,078,849, Rs.257,908 and Rs.115,431 had been given by the other Ministries and Departments on behalf of the Kataragama Sacred City Development Project, State Vesak Festival and the Exhibition of Enterprises of Sri Lanka respectively. Out of those Provisions, savings were existed by 60 per cent, 56 per cent and 12 per cent respectively.	The estimates should be prepared correctly and accurately.	Due to non – completion of the activities, savings were occurred.

#### 2.5 Issuing and Settlement of Advances

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The following observations are made.

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) To settle the sub – imprest given to two officers amounting to Rs.16,000 in the year 2019, had been taken a period ranging from 1 ½ to 4 months.	Control of advances should be formalized.	Issuing and serenading of advances have been conducted as correctly as possible.

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| (b) | The advances totaling Rs.24,000 that had been given to 3 officers, had been settled after 10 days without being utilized the money for any purpose. | Control of advances should be formalized. | Advances have been issued after being evaluated as much as possible. |
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**3. Operational Review**  
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**3.1 Delays in Project implementations**  
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The following observations are made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
(a) According to the Action Plan and the procurement plan of the year 2019, a sum of Rs.45 million had been allocated for 5 sub – projects under the Lolugaswewa project and it had been planned complete those activities by end of the year 2019. However, only a sub – activity of the construction of project’s office had been started and the physical progress of that activity also was 70 per cent.	Prompt action should be taken to accelerate the project activities.	The legal ownership of the land belong to the project had not been transferred.
(b) Out of 8 planned constructions in the Kataragama sacred area, it had been planned to construct 3 buildings with facilities nearby North Entrance, nearby the project office and nearby the Kiriwehera. Although it had been planned to complete those constructions as at end of the year under review, the physical progress of the constructions was only 70 per cent.	Prompt action should be taken to accelerated the project activities.	Construction of four police posts and security fence had been completed.

### 3.2 Procurements

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) Even though a sum of Rs.5 million had been allocated to the printing activities of the National Physical plan and other meetings, those activities had not been implemented during the year under review.	Preparation of procurement plans and implementation activities should be formalized.	It has been decided to amend the physical plan.
(b) Even though sums of Rs.750,000 and Rs.12.5 million had been allocated from the Annual Procurement Plan of the year 2019 for train the staff and for the construction of a vehicle park in Kataragama scared area respectively, those activities had not been started even up to end of the year under review.	Preparation of procurement plans and implementation of activities should be formalized.	It has been decided to amend the physical plan.
(c) Even though a sum of Rs.222,3000 had been incurred to fixed the name boards during the year under review, that activity had not been included to the Procurement Plan.	Preparation of procurement plans and implementation of activities should be formalized.	It has been decided to amend the physical plan.