

## **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 2020 comprising the statement of financial position as at 31 December 2020 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 28 June 2021 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 22 July 2021. This report is 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 2020, 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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My opinion is qualified based on the matters discussed in paragraph 1.6 of this report.

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 (1) (c) 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 Non – Compliance with the Circular instruction of the financial statements

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Even though the financial statements should have been prepared based on the Guidelines No.6 issued by the Department of Public Accounts, it was deviated from following instance.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- When preparing the cash flow statement for the year under review, the deposit received amounting to Rs.3,663,806 and deposit payments amounting to Rs.1,291,958 should have been adjusted to the cash flows from financing activities. However, those adjustment had been made under the operating activities.	----- Since this Department is not involved with financial activities, that amounts had been included in the operating activities as per the instructions given by the Department of State Accounts.	----- Action should be taken to follow the instructions given by the Department of State Accounts.

## 2. Financial Review

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### 2.1 Expenditure Management

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
----- (a) <b><u>Recurrent Expenditure</u></b> According to the FR 50, preparing of expenditure estimates as accurately as possible is the responsibility of the Accounting officer. However, out of the estimated provisions for 04 Object codes amounting to Rs.41,635,000, a total amount of Rs.4,224,600 or 10.15 per cent had been transferred to other Object codes.	----- Due to retirement of officers/ employees, not recruiting of staff as expected, covid-19 pandemic situation, the official travels were decreased. Hence, motor vehicle maintenance costs were reduced. The electricity and water bills were also reduced due to closed down of cricket bungalows and Rest rooms. As a result, the provisions on those Objects were saved. Even though	----- The estimates should be correctly prepared.

those savings were not received, the transferred to other Object had been made for the conducting of compulsory activities. Due to the Covid – 19 situation in the Country, the activities related to the physical planning could not be carried out. Thus, the savings were existed under the Object of 2506. This saving had been transferred to urgent renovation activities of the Head Office’s Auditorium.

(b) **Capital Expenditure**

Even though action should be taken to allocation adequate provisions form the Annual Estimates according to the requirement, a sum of Rs.2,515,200 or 287 per cent had been transferred under the FR 66 transfers exceeding the Annual Estimate provided for the building constructions amounting to Rs.650,000.

According to the President’s concept of “Sawbagya Dekma” and the concepts of the new government, the national physical plan had to be updated. Therefore, in order to conduct meetings and workshops with the participation of various parties for the above tasks, the Auditorium had to be renovated as per the needs. Thus, those provisions had to be transferred for that purpose.

Action should be taken to get adequate provisions through Annual Estimates.

**2.2 Utilization of provisions made available by the other Ministries and Departments**

**Audit Observation**

**Comment of the Accounting Officer**

**Recommendation**

Out of the provisions given by the other Ministries and Departments for the capital projects, a sum of Rs.2,135,588 had been saved. Out of that savings, the provision amounting to Rs.2,431,056 received from the Ministry for development of the Kataragama religious area, a sum of Rs.2,050,294 or 85 per cent of the provisions had been saved.

As the Kataragama Devalaya asked for make the land scaping activities for the facilitating buildings, the additional provisions had been requested. However, due to the situation prevailed in the Country, and due to the lack of adequate time period to complete the project, conducting of landscaping activities had been postponed.

The handing over projects should be completed during the scheduled time period.

### 2.3 Certification of Accounting Officers

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According to section 38 of the National Audit Act No.19 of 2018, the following matters should be certified by the Accounting officer. However, it had not been so done.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>-----</p> <p>The Chief Accounting officer and the Accounting Officer should 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 systems, and accordingly make any alternations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the review had been carried out.</p>	<p>-----</p> <p>The discussion have been continuously made at the meetings with Directors and the Audit and Management Committee meetings in order to review the effectiveness of current internal control systems and to make required changes. It is informed that action will be taken to report these matters to the Auditor General in written.</p>	<p>-----</p> <p>Action should be taken according to the requirement of Section 38 of the National Audit Act. No.19 of 2018.</p>

### 2.4 Issuing and Settlement of Advances

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<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>-----</p> <p>According to the reconciliation statement submitted, the advances to be settled by 04 officers as at 31 December 2020 totaling Rs.386,015. Out of that amount, a sum of Rs.356,015 was existed as recoverable for over 01 year and Rs.30,000 was existed as receivable for over 5 years.</p>	<p>-----</p> <p>The receivables from an interdicted officer amounted to Rs.183,840 and this amount could not be recovered due not finalizing of disciplinary actions. A sum of Rs.30,000 to be recovered from a retired officer for over 20 years and in order to write-off this amount submitted for approvals. Action has been taken to recover the balance of Rs.172,175.</p>	<p>-----</p> <p>Action should be taken to recover the outstanding balances.</p>

### 3. Operational Review

#### 3.2 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) According to paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016, the fule consumption should be examined, in every 12 months period or after making major engine repairs, whichever the date come at the first. However, examination of fule consumption relating 14 motor vehicles belonging to the Department had not been conducted after 01 May 2019. Further, the fule consumption committee reports that furnished for audit were not in acceptable level.	Compared to the year 2019, examining of fule consumptions had been minimized. It had been noted to comply with paragraph 3.1 of the Public Administration Circular No.30/2016 dated 29 December 2016.	The assets should be properly managed.
(b) A cab which had been temporally released to the Ministry of Mega polise and Western Development in the year 2017 had not been handed over to the Department again even up to October 2020. However, that motor vehicle belonging to the Department had been insured by incurring amounting to Rs.79,697 during the year under review though the vehicle had been used by another parties for over 4 years. Further, when handing over the vehicle to the Department again in October 2020, it was in repairing condition.	Even though that motor vehicle bearing No.CAP-8036 been temporally used by the Ministry, the vehicle had been insured, since that belonging to the vehicles flit of the Department. Even though It was informed to Ministry to hand over the vehicle again to the Department in writing on 26 September 2018, the motor vehicle had been handed over again in 26 October 2020. As well, when handing over the motor vehicle it was at repairing condition.	The assets should be properly managed.

#### 4. Human Recourse Management

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Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) The approved cadre as at 31 December 2020 was 283 and actual cadre and vacancies as at that date were 163 and 120 respectively. Out of 51 approved cadre of Executive level, 39 post were vacant. This was represented 77 per cent. In addition, the vacancies of the senior secondary and primary levels were 38, 48 and 22 per cents respectively. Thus, out of the approved cadre, total vacancies were 42 per cent. As a result, there was a uncertainty to carry out the activities of the Department in effective and efficient manner.	Due to the reasons of amending of recruitment procedure, unable to conduct open complete exams under the Covid-19 situation, suspending of primary level recruitment from the Management Services Circular No.01/2020, lack of qualified persons in the Department etc., the vacancies were existed. To fill the other vacancies, it has been informed to the Ministry of Public Administration, Provincial Councils and Local Government.	Action should be taken to fill the vacancies in proper manner.
(b) Two officers had been recruited on contract basis for the posts of Deputy Director (Administration) and Assistant Director by paying Rs.189,350 and Rs.71,745 per month, including all allowances.	As there were vacancies in executive level posts, those vacancies had been filled in order to carry out the works without any interruption. As well, due to lack of suitable person in the Department to appoint as the Director (Engineer), a retired officer had been reappointed. The payment made for the two post, had been complied with the instructions given in the Public Administration Circular No.03/2018.	Action should be taken to fill the vacancies in proper manner.
(c) Ten officers of the Department had been released to other State Institutions up to end of the year under review, without having proper approval and without being made the payments.	When release the officers for projects, the officers in the Department had been release based on the approval given by the Director General. However, when it exceed 02 years period, it had been forwarded to the Public Service Commission for the covering approval. Further, when	In order to carry out the activities of the Department effective and efficient manner without having human resource issues, the relevant approvals should be obtained.

release the officers belonging to the combined services i.e the Development officers, action had been taken to obtain the approval of the Director General of combined services. Furthermore, when they release on the basis of service requirement, the approval of the Secretary to the Ministry had been obtained through appendix – II.