

Head - 237 – Department of National Planning

1. Financial Statements

1.1 Unqualified Opinion

The audit of the financial statements of the Department of National 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 statements 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. In terms of Section 11(1) 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 09 June 2021. In terms of Section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 16 August 2021. This report will be presented in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the Department of National Planning 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 Unqualified Opinion

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

1.3 Responsibilities of the Chief Accounting Officer and 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as 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.

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 Responsibility for the Audit of 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, 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 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 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.

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

As required by Sub-sections 6 (1)(d) of the National Audit Act, No.19 of 2018, I state the followings.

- (a) That the financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements relating to the preceding year, had been implemented.

2. Financial Review

2.1 Imprests Management

Audit Observation

It had been planned to apply for imprests amounting to Rs.116,616,000 during the year 2020 and a sum of Rs.117,612,650 had been applied. The imprests issued by the Treasury to the Department had been Rs.108,053,408. Accordingly, 101 per cent of the value planned to be applied by the Department and 92 per cent of the sum applied, had been issued by the Treasury to the Department.

Comments of the Accounting Officer

As total imprests which were applied during the relevant month, had not been received in the same month, in applying imprests relating to the next month, the said un-received imprests as well had been applied in each month, thus resulting in the said position.

Recommendation

It is necessary to take steps to prepare Annual estimates realistically and effectively.

2.2 Management of Expenditure

Audit Observation

(a) Transfer of Provision (F.R. 66)

- (i) Provision relating to 02 Objects had been increased from 10 per cent 58 per cent and provision relating to 02 Objects had been decreased from 13 per cent to 16 per cent subject to F.R.66 during the year 2020.

Comments of the Accounting Officer

Provision had been made subject to F.R. 66 for purposes such as filling vacancies existed at the beginning of the year and for emergency repairs and

Recommendation

It is necessary to take steps to prepare Annual estimates realistically and effectively.

maintenance activities and action was taken to transfer the savings for essential Objects, due to restrictions made for operating of vehicles due to Covid 19 pandemic.

(ii) **Preparation of Under-Estimates**

Estimated provision of Rs.25,100,000 relating to an Object had been increased by 20 per cent by making additional provision amounting to Rs. 5,000,000.

Additional provision had to be made for making payments to pre-prepared works of the Integrated Watershed and Water Resources Management Project due to delay in entering into the loan agreement as a result of the Covid 19 pandemic and making payments for pre-prepared works including feasibility studies planned by the IWWRMP Project, through the Programmatic Project Preparation Facility (PPPF) up to 31 December 2020.

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(b) Excess provision amounting to Rs.7,050,000 had been made for 08 Objects in the year under review and as such, the savings after the utilization of the said provision amounted to Rs.2,672,571. That savings out of the net provision made, had ranged between 11 per cent and 99 per cent.

Close down of institutions due to Covid 19 pandemic, discontinuation of foreign tours, decrease in expenditure on maintenance of office equipment due to close down of offices, failure to conduct local training programmes, and decrease in expenditure due to transfer of officers entitled to uniforms and due to discounts offered in paying rates duly, had attributed to the savings of provision.

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2.3 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Four liabilities totalling Rs. 783,629 indicated in the Accumulated Liability Report No. SA 92 of the Treasury, had not been indicated in the statement on liabilities presented along with financial statements.	Liabilities indicated in the said report, are the transactions entered in the month of August in the CIGAS Programme by mistake and those have been paid during the said month itself. Further, dates of the Treasury printouts – SA 92 confirmed that those transactions have not been entered in the month of December in the CIGAS Programme. It is kindly informed that instructions had been given to avoid such situations.	Action should be taken to present liabilities and commitments properly.
(b) In terms of paragraph 3.4 of Public Finance Circular No.2/2020 of 09 October 2020, commitments and liabilities indicated in the statement of commitments and liabilities under Note No. (iii), should be tallied with the statement of commitments and liabilities issued relating to each Expenditure Head and no commitment whatsoever reported in such a way should be settled in the current year as an expenditure of the preceding year. However, liabilities totalling Rs.264,291 not indicated in the Accumulated Liability Report No. SA 92 of the Treasury, had been settled in the year 2021.	Liabilities amounting to Rs.264,291 have been settled in the year 2021 in terms of Financial Regulation 94(1) and (2).	Action should be taken in terms of the circular.

2.4 Non-compliance with Laws, Rules and Regulations

Audit Observation	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Paragraphs 6.1 and 6.3 of Public Administration Circular No. 02/2018 of 24 January 2018	In terms of the Circular, a training opportunity should strictly be provided for the benefit of every member. Nevertheless, only 08 of the staff consisting of 93 members had been provided training opportunities.	Even though a human resource development plan had been prepared for the benefit of all officers, they could not be made to participate in training programmes as planned due to Covid pandemic.	Maximum effort should be made to take action in accordance with circulars.
(b) F.R.880	Officers required to give security had not given securities accordingly.	Necessary action is being taken.	Action should be taken in terms of Financial Regulations.
(c) Circular No.01/2017 of 28 June 2017 of the Secretary to the Ministry of Finance and Mass Media	Even though full and accurate information on buildings relating to official quarters should have been submitted before 31 October 2017 to the Comptroller General, it had not been so done up to 31 December of the year under review.	A report has been duly submitted to the Comptroller General. However, according to the Assets Management Circular No.01/2017 of the Comptroller General, in submitting information on official quarters belonging to this Department, only the financial value of official quarters could not be included in the said report. As the financial value has been obtained from the Valuation Department by now, it is recorded to take action to send the said information to the Comptroller General.	Action should be taken in terms of circulars.

3 Operating Review

3.1 Performance

3.1.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In terms of Section 3 (b) of Public Finance Circular No.01/2014 of 17 February 2014, particulars on updated approved cadre and actual cadre for the relevant year and anticipated outcome /targets had not been included in the Action Plan prepared by the Department for the year 2020.	It was recorded to include the said information in the Action Plan prepared in future.	Action should be taken in terms of the circular.
(b) Procurement Plan Even though the Procurement Plan had been prepared under the budget estimated for Rs.1,300,000 for the purchase of furniture and equipment for the year 2020, a sum of Rs.465,611 had been spent for the purchase of furniture and equipment and it represented 36 per cent of the estimated expenditure.	Even though it had been planned to purchase furniture and equipment in the year 2020, necessary furniture and equipment were supplied to our Department by the State Ministry of National Policies and Economic Affairs in the same year. As such, there was no need to purchase furniture as planned.	Action should be taken to prepare estimates by identifying requirements properly.

3.1.2 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Even though annual estimated provision of Rs.1,500,000 had been made for staff trainings under the Expenditure Head 2401 of the year under review, an expenditure of Rs.794,770 had been incurred for 08 officers for 06 training opportunities. It represented 53 per cent of the estimated expenditure while the savings had been 47 per cent.	Officers could not be made to participate in training programmes as planned due to Covid Pandemic.	Action should be taken to prepare estimates by identifying requirements properly.

(b) Even though the Action Plan and the Performance Report of the year 2020 should be uploaded and updated on the website of the Department, it was observed that only the Action Plan of the year 2018 and the Performance Report of the year 2017 had been uploaded even by 12 May, the date of audit.

It was recorded to update the website properly.

Website should be updated properly.

4. Sustainable Development

Audit Observation

Even though the Department should pay its attention towards the identification and achievement of the objectives and indicators of the Department based on sustainable development goals and indicators thereunder, evidence for taking action relating to the sustainable development of the year under review accordingly, had not been made available to Audit.

Comments of the Accounting Officer

Preparation of National Development Framework and taking policy decisions with relevant Ministries as per the said Plan and appraisal of project proposals prepared by those Ministries are the key functions of the Department of National Planning. Accordingly, the Department of National Planning had taken the sustainable development targets and goals into consideration in preparing the development policy framework of the Government. Moreover, this is an institution which constantly provides its contribution as a policy for achieving sustainable development goals and targets in the appraisal of project as well.

Recommendation

Action should be taken to prepare relevant plans and to achieve goals by paying attention towards the sustainable development goals reachable.

5 Human Resource Management

5.1 Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Approved Cadre and Actual Cadre		
i. The approved cadre of the Department stood at 118 and 25 out of those posts had been vacant and as such, it had been 21 per cent of the approved cadre. Moreover, the Department had notified that 11 posts including 05 in the post of Director and 06 in the posts of Assistant Director / Deputy Director at the senior level, had been vacant since several years and the space is inadequate for making recruitments. It was observed that the above situation may affect the optimum performance of the Department.	Requests for the space required to the Department have been made several times to the Ministry of Finance. Action will be taken to fill vacancies after providing space facilities.	Action should be taken to maintain the cadre approved for the Department, in a proper manner.
ii. In terms of Section 13.3 of the Establishments Code, if the post continues to require services of a full-time officer, the substantive appointment should be made without delay. However, it was observed that the post of Librarian of the Department has been vacant for over a period of 08 years.	The Ministry of Public Services has been notified to take action to fill vacancies in the post of Librarian of the Department.	Action should be taken to maintain the cadre approved for the Department, in a proper manner.