

Head 237 – Department of National Planning

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Head -237 of the Department of National Planning for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, the statement of financial performance for the year then ended and cash flow statement 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 containing my comments and observations on the Financial Statements of the Department of National Planning in terms of Section 11 (1) of the National Audit Act No. 19 of 2018 was issued to the Accounting Officer on 30 May 2023. Annual Detailed Management Audit Report related to the Department in terms of Section 11 (2) of the Audit Act was issued on 30 June 2023. This Report is presented to the 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 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

My opinion is qualified based 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, 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 Chief Accounting Officer and the Accounting Officer on Financial Statements

The Accounting Officer is responsible for Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Imports and Exports Control 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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Imports and Exports Control Department in terms of sub-

section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

My objective is to express a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the Summary Report of the Auditor General 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 furthermore;

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- An understanding of internal control relevant to the audit was obtained 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 internal control.
- Evaluated the appropriateness of the accounting policies followed, fairness of accounting estimates and related disclosures made by Management.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare the following matters in terms of Section 6 (1) (d) of the National Audit Act No. 19 of 2018.

- (a) The financial statements were consistent with those of the previous year.
- (b) The recommendations made by me on the financial statements related to the previous year had been implemented.

2. Financial review

2.1 Expenditure Management

The following observations are observed.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total net allocation of Rs. 275,000 allocated in the year 2022 for 03 expenditure heads had not been utilized.	According to Budget Circular No. 03/2021 and the Budget Circular issued on December 21, 2021 regarding the authorization to incur expenses and the management of public expenditure in the year 2022, therefore non utilization of allocations for these 03 expenditure subjects due to expenditure control.	Action should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Finance Regulation 50.
(b) For 12 expenditure head to carry out the planned tasks in the year 2022, a significant amount of Rs.8,231,089 had been remained unutilized out of the total allocation of Rs.11,858,397. It had ranged from 54 per cent to 99 per cent of the total net allocation of those expenditure head.	As per instructions in the above budget circular, Non-utilization of allocations due to termination of Regional Development Division under the Department and the provisions was remaining due to release and transfer of officers.	Action should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Finance Regulation 50.
(c) Without allocating provisions in the Budget Estimates for 04 expenditure head, According to Finance Regulation 66, A total of Rs.43,864,155,744 had been transferred.	Since the need for provision in these budget subjects for emergency needs arose in the year 2022, Additional provision had to be made by F.R 66.	Action should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Finance Regulation 50.
(d) For 07 expenditure subjects that had not been adequately allocated from the budget estimate, A total of Rs.8,323,095,612 is provided by the supplementary estimate provisions of the year under review and F.R. 66 had made provision. After getting the additional allocations, the total allocation of 05 expenditure head of Rs.272,785,724 had been remaining.	Due to the shortage of market goods, the price of essential toner and office stationery increased more than the estimated price, having to pay for the cover work of the director positions, not getting the vouchers required for payment, Accounting for material aid provided by the World Food	Action should be taken to prepare annual expenditure estimates correctly and accurately in accordance with Finance Regulation 50.

Program and provision has to be made for the cost of releasing the material from the aid port and distributing it

2.2 Non-compliance with Laws, Rules and Regulations

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Paragraph 7.6 of the State Accounts Guidelines No. 2022/05 dated 13 December 2022, It was stated that the cash flow statement should be prepared using the direct method taking into account both cash and cross entries. Accordingly as per consolidated descriptive balance check there had been also to advance recovery of Rs.7,354,843 and Advance payments were also Rs.6,002,111. Accordingly, cash inflows and outflows for advances are Rs. 1,716,480 were understated.</p>	<p>According to Sri Lankan standards, the cash flow statement should only mention transactions that take place in cash only, so non-cash transactions were not included.</p>	<p>Cash flow statement should be prepared as per State Accounts Guidelines.</p>

3. Operational Review

3.1 Performance

3.1.1 Planning

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although an action plan has been prepared for the year 2022 as per Public Finance Circular No. 01/2014 dated February 17, 2014, As per paragraph 3 (a) of the circular, the capital requirement plan for annual activities and the annual procurement plan for major development programs were not included.</p>	<p>The Annual Capital Requirement Plan and Procurement Plans have been submitted along with the Department's Action Plan. There is no internal audit department in this department and this work is done after consulting the internal audit department of the Ministry of Finance.</p>	<p>An action plan has been prepared as per the Public Finance Circular.</p>

3.1.2 Performing of Duties

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>As per paragraph 03 of public Finance Circular No. 02/2020 dated August 28, 2020, Although All government departments shall prepare an annual action plan for the implementation of the approved budget estimates for each year, and the action plan for the coming year shall be prepared before December 15 of the transition year and submitted to the Chief Enumerator for approval, The action plan submitted for the year under review , under the World Food Program had not prepared as per the circular and also had not submitted for audit.</p>	<p>This project was taken over from January 01, 2023 to the Presidential Secretariat. Accordingly, all the files and belongings are under the responsibility of the project under the Presidential Secretariat and the information required for the audit has been coordinated with the project office and the relevant information has been provided so far.</p>	<p>Action should be taken as per the circular.</p>

3.2 Foreign fund Project

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Establishment of social stability which is 02 foreign projects implemented under the Department of National Planning using foreign loans/aids and the total net allocation of Rs. 634,104,060 allocated in the year 2022 for 02 expenditure heads of the ongoing projects to provide relief to families affected by economic difficulties had not been utilized.</p>	<p>Mitigation of the effects of the economic crisis implemented under World Bank loan assistance and although the World Bank agreed to provide an initial USD 400 for the project to restore social stability however in later it was reduced to USD 325. Accordingly, non-implementation of the tasks related to the health sector expected to be implemented by the project and providing relief to families affected due to economic difficulties</p>	<p>Action should be taken to provisions made to achieve the project objectives and to be used efficiently.</p>

under the project. This provision was spared as provision was made for opening the rupee account for the assistance given by the Asian Development Bank.

- (b) Establishment of social stability project expenditure head No. 237-1-1-19-1501-23/12 of the net allocation financed under foreign debt of Rs.20,630,000,000 only Rs.8,065,654,415 spent and Rs.12,564,345,584 which was same as 61 percent of the net allocation was remaining. The reason for this balance was the delay in the procurement of urea under the World Bank project.
- Due to delay in procurement for purchase of urea under the World Bank project, this provision could not be utilized. Also, at the end of December, although 16,787.20 MT and 11,200 MT of urea fertilizer were brought to Sri Lanka, the provision was remaining due to the fact that the World Bank aid payments were not made and reported.
- Action should be taken to provisions made to achieve the project objectives and to be used efficiently.
- (c) Under the foreign loans implemented by the department to establish social stability and provide relief to families affected by economic difficulties, Out of the allocation of Rs.98,919,000,000 allocated for the financed projects, a total of Rs.71,654,995,940 had been transferred to other expenditure subjects without being used for the allocated expenditure subjects. The amount ranged from 44 percent to 100 percent of the allocation for projects
- It was later decided to that collect money from the beneficiaries for the Social Stabilization Project Fertilizer and Litro gas. Accordingly, Rs.39,220,000 was transferred under the necessary provision of expenditure head of 2302-Lending. A provision of Rs.15,990,995,940.00 from the provision given for the health program of this project and An amount of Rs. 10,554,777,900 for the project to provide relief to families affected by economic difficulties also An amount of Rs.4,292,450,601.94 has
- To achieve the project objectives, the provision made should be used efficiently.

been transferred to the World Food Program and Rs.1,143,767.94 to the PALAMA project.

Also, the remaining allocation of Rs. 16,444,000,000 under this project has been transferred between the expenditure heads for the provision of Samurdhi Subsidy Elderly Assistance and Kidney Impaired Assistance for the works in both the projects.

- (d) Providing relief to families affected by economic difficulties for 04 expenditure subjects of the project. In the year under review, By F.R. 66 had made a total provision of Rs.26,998,677,900. After making those additional provisions, the total of the remaining expenditure head was Rs.1,224,281,422.

The Samurdhi Development Department estimated the expected expenditure for these 4 expenditure heads of the project to provide relief to families affected by economic difficulties. Based on the information provided by the relevant departments. But since the government had given instructions to avoid possible duplication in these payments, An actual expenditure was reported lower than this expected expenditure, resulting in under-provisions.

To achieve the project objectives, the provision made should be used efficiently.

3.3 Annual Physical Verification

Audit Observation

It was observed during inspection of the Annual Physical Verification reports related to the year under review that the laptop computer given to an officer who was transferred from the department on August 16 of the year under review had not been returned to the department even on May 10, 2023, which was the date of audit.

Comments of the Accounting Officer

Since this laptop has not been handed over to this department so far, he was informed in a letter dated 13.12.2022 and no proper response has been given so far. Even after receiving your audit query dated 12.05.2023, the Presidential Secretariat was informed on 19.05.2023 to hand over the above mentioned laptop. I am also informed that his personal file will be retained in this office until the laptop is formally handed over.

Recommendation

At the time of transfer, the officers should arrange to take back the assets in their custody

4. Sustainable Development

Audit Observation

It was observe that an action had not been taken by the department to identify the sustainable development goals according to the United Nations 2030 Agenda for Sustainable Development and to identify the required criteria to measure the achievement of the sustainable development goals and to establish an accurate data system related to it.

Comments of the Accounting Officer

According to the United Nations 2030 Agenda, Identify the criteria needed to identify and measure the achievement of the Sustainable Development Goals and the work to create a correct data system related to it is already implemented by the National Council for Sustainable Development with the relevant institutions. The Department of National Planning has already provided necessary support for that.

Recommendation

Action should be taken to identifying the sustainable development goals and identifying the necessary criteria to measure their achievement.

5. Human resource management

5.1 Approved Staff and Actual Staff

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the staffing data submitted for audit, the total number of vacancies in the department as on 31 December 2022 was 26. Among them, 16 senior level posts have been vacant for several years.	As per the instructions of the Public Service Commission Circular 02/2022, arrangements are currently being made to conduct interviews to fill all the vacancies in the first class.	Action should be taken to filling up vacancies in a formal manner or to update the number of employees.
(b) In terms of section 13.3 of the Establishments Code, regular appointment should be made without delay if a post requires the services of a full-time officer, The post of librarian in the department has been vacant for more than 10 years.	Although requests have been made to the Ministry of Public Administration to fill the vacancy on several occasions, no steps have been taken to fill the vacancy so far. But at present, arrangements are being made to appoint an officer identified by us as the librarian.	Action should be taken to fill up the vacancies in a formal manner.