

Head 311 -National Physical Planning Department

1. Financial Statements

1.1 Qualified Opinion

Head 311 - The audit of the financial statements of the National Physical Planning Department for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 to be 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 was issued to the Accounting Officer on 22 May 2024 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 22 May 2024 in terms of Section 11(2) of the Audit Act. This report is tabled in Parliament in pursuance of the 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, 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 as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibility of the Chief Accounting Officer and the 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 in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer and the Accounting Officer determine is 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 Section 38 (1) (c) Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall 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 system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and value the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 overall presentation, structure and content of the financial statements including 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, 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

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

(a) The financial statements are consistent with the preceding year.

(b) The recommendations made by me relating to the financial statements of the preceding year had been implemented except for the following recommendations.

1.6 Comment on the Preparation of Financial Statements

1.6.1 Accounting Deficiencies

(a) Recurrent Expenditure

The following deficiencies were observed while accounting for recurrent expenses related to financial statements.

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the recurring expenses amounting to Rs. 1,082,900 spent by the department on 02 occasions for vehicle repairs had to be borne under object number 311-1-1-0-1301, that expenditure had been spent and accounted for under capital object number 311-1-1-0-2003. Therefore, the recurring expenditure had been understated by Rs. 1,082,900 and the capital expenditure had been overstated by that amount.	Since it had been spent on the application of necessary spare parts required for the running of the vehicles, the expenditure had been borne under the capital expenditure object of 2003.	The capital expenditure should be accurately identified and accounted for.

(b) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though no any amount due from retired or deceased officers after 2018 should be shown in Advance B Account as the Section 4 of the Circular No. 262/2017 of the Director General of Public Accounts Department and dated 29 December 2017, the sum of Rs. 610,772 due from four retired officers had been uncollected and mentioned in the advances in B Account.	Measures will be taken to collect.	The Circular should be followed.

(c) Property, plant and Equipment

The following deficiencies were discovered while accounting for property, plant and equipment.

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though the non-financial assets should be properly identified and accounted for in terms of the section 8.2 of Public Accounts Guidelines 2022/05 dated 13 December 2022, the ownership of 06 lands and 04 buildings owned by the department had not been transferred, valued and accounted for.	Arrangements are being made to obtain survey plans and title deeds from the Divisional Secretaries. The valuation will be done upon receipt of ownership.	The surveyor's reports should be obtained promptly and the valuations should be done and accounted for.

2. Financial Review

2.1 Revenue Management

Audit Observation	Comment of the Accounting Officer	Recommendation
The arrears of Rs.340,200 due to the Department from the President's Secretariat for the accommodation in the bungalows at Polonnaruwa Pulatisipura Resort for a period of 3-5 years had not been collected even by the end of the year under review.	A committee has been appointed to take further steps. A committee has been appointed to take further steps.	The arrears should be recovered promptly.

2.2 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) 100 percent of the amount of Rs. 195,245,000 allocated under Capital Expenditure Object No. 311-1-1-1-2506(ii) had been left at the end of the year without being spent on development activities. Non-allocation of necessary provisions according to a proper plan had directly led to this situation.	Savings were made as there were delays in the preparation of physical plans due to the chaotic situation in the country.	An adequate study of future conditions should be done and arrangements should be made to allocate provisions according to a proper plan.

- (b) An amount of Rs. 11,146,260 had been transferred by the department for 08 expenditure objects from other expenditure subjects during the year under review. It was between 2 percent and 153 percent of the original estimated provision. Failure to identify and estimate costs correctly has led to this situation.
- Transfers had been made between expenditure objects due to non-availability of estimated provisions, on writing-off of provisions from the revised budget, and unexpected expenditures.
- The estimates should be prepared by predicting possible future situations while preparing estimates.
- (c) According to Finance Regulation 66 (1), when the provision appropriated for the expenditure object is not sufficient, the savings of another expenditure object can be used for settlement of the said expenditures. An amount of Rs. 5,594,961 obtained for 04 objects had been saved as unspent. It was an amount between 5 and 54 percent.
- Resignations, delays in recruitments, non-payment as estimated resulted in savings.
- Transfers of provisions should be made only for possible expenses.

2.3 Non-compliance with laws, rules and regulations.

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Accounting Officer	Recommendation
Circular No. 18/2001 of the Secretary, Ministry of Public Administration and Home Affairs dated 22 August 2001	Even though it had been stated that serving in the same work station for over 05 years affects the transfers of other officers, the transfers should be implemented immediately, no measures had been taken regarding 12 officers who had served for more than 05 years in this way.	The list of officers above 05 years had been notified to the Ministry of Public Administration with 2023 annual transfers.	The Circular instructions should be followed.

3. Operating Review
3.1 Vision and Mission

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The vision of the National Physical Planning Department is to be a heading to a planned sustained and adored land and its' mission was to formulate national physical policies, plans and strategies and to ensure and monitor the implementation of such national policies and plans through regional and local plans with the object of promoting and regulating integrated planning of economic, social, physical and environmental aspects of land and territorial waters of Sri Lanka. However, the employees of the department had been continuously employed for cleaning the shrines and other activities outside of the mission. There are no provisions for this in the Town and Country Planning Act, and it was observed that the work to be done by the Department of Buddhist Affairs is done by this department.</p>	<p>Even though a request had been made to assign this staff to the Ministry of Buddha Sasana to the Secretary of that Ministry, it was rejected. A meeting chaired by the Secretary of the Ministry of Urban Development and the Secretary of the Ministry of Buddha Sasana Religious and Cultural Affairs has been arranged in this regard.</p>	<p>A suitable plan should be prepared for the department focusing on the vision, mission and objectives of the department so that they can be achieved.</p>

3.2 Failure to Discharge Functions
 following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) The National Physical Design Policy and the National Physical Plan should be prepared in terms of the section 7 of the Town and Country Planning Ordinance No. 13 of 1946 (Charter 269) and of the section 7 of the Town and Country Planning (Amendment) Act No. 49 of 2000, and even though necessary amendments had been made in the National Physical Plan prepared in 2019 by 31.10.2021 according to the Annual Action Plan 2021, awareness programmess of only 15 District Development Committees had been conducted by 31 December 2023. No measures had</p>	<p>National Physical Planning Policy and Plan revisions have been prepared and finalized in January 2022 and an awareness program is being conducted.</p>	<p>The National Physical Plan should be approved in terms of the Section 07 of the Act, and it should be announced by the department ,Whether the physical constructions carried out in the country are carried out in accordance with it and in cases where it is not.</p>

been taken to gazzete and implement this plan.

- (b) Even though provisions of Rs.1,033 million had been made for the Lollugaswewa City Planning Project started in 2017 and till 2023 to limit the expansion of settlements and remove illegal constructions in the Anuradhapura sacred city area, only 13.4 million out of this, i.e. 1 percent had been spent and only the project office had been constructed. Therefore, it had not been possible to reach the desired goal even after 07 years, and it had been decided to recruit consultants from 04 government agencies to prepare an action plan for resettlement, but it had been suspended.
- Lollugaswewa land had been transferred to the Department in June 2021. A resettlement action plan had been requested by the Ministry of Lands. No decision has been taken by the Road Development Authority regarding the release of consultants to prepare it. Further actions will be decided after preparing the action plan.
- The relevant parties should be informed and arrangements should be made to transfer the project to an organization that can carry out the project since it is a task that is not related to the scope of the department.
- (c) The regional and city physical plans should be prepared by the department to prepare the national physical plan and make necessary amendments in time. There should be a committee comprising of academics representing various fields of the country and a staff consisting of sufficient planners for this. However, since there are not enough officers specialized for those positions in the department and the national physical plans and other regional and city plans could not be prepared and implemented in time more over a necessary amendment had been made to the Town and Country Planning Ordinance No. 13 of 1946 by the Town and Country Planning (Amendment) Act No. 49 of 2000 so that the expert contribution of other government agencies can be obtained for the establishment and implementation of the National
- The National Physical Plan was prepared and revised in 2019 and is in the final stage.
- The physical plan should be prepared and revised by a committee consisting of expert staff and academics on a timely basis.

Physical Plan, and even though more than 11 years have passed since the establishment of the department, it had not been done so far.

- | | | | |
|-----|--|---|-------------------------------------|
| (d) | A field inspection of the area considered as the Pooja lands is carried out in order to declare it as a Pooja land, and if the necessary conditions are met, it is declared as a Pooja land through a gazette. Even though it had been expected to declare, develop and plan 38 Maha Viharas as pooja lands, No measures had been taken within the year to announce those viharas as a pooja lands through a gazette notification. | Even though these tasks are performed by this department, it should be coordinated by a number of institutions including archeology, surveyors, and divisional secretariats. There are land rights issues also. | Actions should be taken as planned. |
|-----|--|---|-------------------------------------|

3.3 Failure to Achieve the Expected Outcome

Audit Observation

Even though it had been planned to prepare regional physical plans for the 3 provinces namely Central, Uva and East in the year 2023, no any plan had been completed even by the end of 2023. Even though it had been planned to prepare a series of consultations for a sensitive environment in the central province, it had not been done. This was due to poor management supervision. Furthermore, unplanned, inappropriate constructions and lack of proper public facilities had led to environmental problems.

Comment of the Accounting Officer Recommendation

The preparation of these plans could not be carried out as planned due to lack of staff.

Measures should be taken to prepare and submit the physical plans as per the plans.

3.4 Procurements

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) It was observed that there were 05 cases, where Rs. 2,362,923 had been over spent compared to the expenditure approved under the procurement plan of the year 2023.	Estimates for planned goods and services had been included in the procurement plan. The entire provision made in the budget had not been included in the procurement plan.	The procurement plan should be properly prepared.
(b) An electronic government procurement system had been established as per State Finance Circular No. 08/2019 dated 17 December 2019 in order to maintain the procurement process in a more formal and efficient manner, and even though registration of procurement agencies, registration of Liaison Officer (LOS), registration of vendors, annual procurement plan, publication of procurement notice and shopping method should be done using e-procurement system for that, no such action had been taken during the year under review.	Procurement notices will be published and procurement will be conducted through the promise.lk website in due course.	The circular instructions should be followed.

3.5 Assets Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Even though buildings and machinery equipment should be assessed every 05 years in terms of the Comptroller General of the Non-Financial Assets Valuation Guidelines of the Democratic Socialist Republic of Sri Lanka dated 31 December 2018, 04 buildings of the department had not been assessed in this way.	Assessment has to be taken only for the lands that actions are being taken to acquire.	Measures should be taken according to the non-financial asset valuation guidelines.

- | | | | |
|-----|---|---|---|
| (b) | 0.0506 hectares of land of which the assessed value is Rs. 5,000,000 and given by the Divisional Secretary of Kundasale for the use of the department remained idle for 13 years without being used for any development activities. | Development works can be done after getting permission related to government circulars. | The land should be used for development purposes. |
|-----|---|---|---|

3.6 Uneconomical Transactions

Audit Observation

An amount of Rs. 1,441,060 had been paid to external institutions as printing expenses during the year 2022 and 2023 despite that there were 55 machines including computer printers, photocopiers and blueprints worth Rs. 1,685,579 in all sections of the department.

Comment of the Accounti Recommendation Officer

Even though the department had a color photo machine, the copies taken from it were defective due to a fault in it. The resources of the department should be used to the maximum extent.

04. Sustainable Development Goals

Audit Observation

Identification of output indicators, publication of key performance indicators, identification of the organization's workload and stakeholders, and identification of officers on coordination of sustainable development objectives had not been done in terms of the Circular No. 02/2017 of the National Budget Department.

Comment of the Accounti Recommendation Officer

The identification of output indicators, the publication of key performance indicators and the identification of the role of the institution have been completed by now according to the Circular No. 02/2017 on Sustainable Development Goals of the National Budget Department, and Identification of stakeholders has already started. That sustainable development goals should be identified and dealt with according to the circular.

05. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Bungalow keeper of Polonnaruwa Pulatisi Niketana Bungalow of the department had prepared fake documents and committed a money fraud in the year 2020. No measures had been taken to conduct a formal investigation into this and to get the relevant money to the government.	A preliminary investigation into the wrongdoings has been completed and the charge sheet has been issued. The department has also taken steps to suspend him for the said charge sheet.	Arrangements should be made to collect the amount due promptly.
(b) The approved staff was 291 as at 31 December 2023, and there were 126 vacancies out of 165 actual staff. This had been directly affected to not being able to prepare the physical plans of the department in due time.	The recruitment of Assistant Directors in connection with the preparation of the physical plan is being carried out based on the approval given by the committee headed by the prime minister.	Adequate staff to fulfill the functions of the department should be maintained by the department.