

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 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 28 May 2024. Annual Detailed Management Audit Report related to the Department in terms of Section 11(2) of the Audit Act was issued to the Accounting Officer on 02 August 2024. 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 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for 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 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.

In terms of subsection 38(1) (c) of the National Audit Act, the Accounting Officer should ensure that an effective internal control system had been prepared and maintained for the financial control of the Office and the changes required enabling to effectively carry out the system should be made having made a review from time to time about effectiveness of the system.

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

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Provisions of Rs. 834,000 had been made by F.R. 66 for machinery and equipment (237-1-1-0-2002-0/11) under rehabilitation and improvement of capital assets without making provisions in the budget estimate.	No provision had been allocated under the object 237-01-01-2002 (11) within the budget estimate of the year 2023, and no need to make provision for machinery and equipment had been arisen since the machinery of this department was at active level by the time of preparation of budget estimates for the year 2023 (July - August 2022).	The annual expenditure estimates should be prepared correctly and accurately in terms of F.R. 50.
(b) A total amount of Rs.36,212,297 additional provisions had been made for 02 objects through supplementary estimate allocations and F.R. 66 without allocating sufficient allocations from the basic estimate, and it ranged from 33 to 527 percent of the initial estimate provision of those objects.	The officers who had been assigned under the regional development program are assigned to the department and even though Rs.7,500,000 had been requested for foreign travel expenses when preparing the 2023 budget estimate, only an amount Rs.500,000 had been allocated from the budget department.	- do -
(c) Even though total budget estimates amounting to Rs.1,800,000,000 had been provided in year 2023 as Rs. 1,250,000,000 under object number 237-1-2-2-2202-0/13 ,Rs. 550,000,000 under object number 237-1-2-2-2202-0/17 in order to implement the World Food Program (WFP) under the department, even though the President's Office has decided to implement this program in the year 2023 and additional provisions had been made to the expenditure head of President for that purpose, the total provision amount of Rs.1,800,000,000 allocated for the above two objects of the department had not been properly	The provision allocated in the year 2023 has remained unutilized due to the decision to implement the WFP project through the Presidential Secretariat at the request of the Secretary to the President after the approval of the 2023 budget in Parliament for the year 2023. it has been informed that it is reserved in this regard by the budget department though the letter dated 23.01.2023. Therefore, those provisions have been reserved under our department. I would like to inform that this incident is a work outside of this department.	The Annual Expenditure Estimates should be prepared accurately and properly in terms of the Financial Regulation 50, and measures should be taken to utilize budget allocations properly.

reserved. Accordingly, the total amount of provision under the above two objects had been shown as savings.

3. Operational Review

3.1 Performance

3.1.1 Foreign fund Project

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The total net allocation of Rs. 34,788,249 allocated in the year 2023 for the subject number 237-1-1-20-2106-0/13 under the Food Security and Livelihood Recovery Emergency Assistance Project implemented under the Department of National Planning had been left unused.	The CRM system of the Department Of Samurdhi Development had to be upgraded under the Food Security and Livelihood Recovery Emergency Assistance Project. However, since the subsidy payment under the Aswesuma had been done through commercial banks, it was not necessary at that time to make the subsidy payment system through the CRM system.	The need should be correctly identified and the provisions should be allocated and the provisions made to fulfill the project objectives should be used efficiently.
(b) Provisions had been made for 11 objects through supplementary estimate allocations of the year under review amounting to Rs. 21,248,932,166 and F.R. 66 without provision of preliminary estimates for 04 projects due to reasons such as provisions had been made under wrong objects when allocating estimates, settlement of bills at the end of the project and insufficient provision estimated.	It is estimated that the financial value of the aid received by Sri Lanka in the year 2023 will be about Rs.873 million for Having to be accounted for under the correct object of the Food Security and Livelihood Recovery Emergency Assistance Project, Bill Payments of the Contingency and Emergency Response Components (CERCs) Project, Foreign Grants (13) through the Sri Lanka Market Alliance (PALAM/A) Project and since taxes and fees had to be paid to release the material aid from the port and project provisions had to be set aside through supplementary estimates and F.R.66 due to non-submission of relevant documents by one of the suppliers for import of fertilizer related to Social Stability Establishment and due to not being able to finish in the year 2022.	Annual expenditure estimates should be prepared correctly and accurately in accordance with Financial Regulation 50.

- (c) The sum of Rs. 7,443,648,823 out of the provisions amounting to Rs. 8,902,500,000 allocated for the Food Security and Livelihood Recovery Emergency Assistance Project and the Sri Lanka Market Alliance (PALAM/A) project implemented under the department had been transferred to other object from the objects allocated in those projects. It was observed that the transferred amount ranged from 82 per cent to 100 per cent of the allocated provision, and the reasons such as the estimated provisions had been made under the wrong objects and that the allocations had not been needed were caused for transfer in this way.
- Provisions had been transferred as per F.R.66 in order to account for under the correct objects of the Food Security and Livelihood Recovery Emergency Assistance Project. Provision had been made for the development of the software system of the Samurdhi Development Department. Later this was not the need of the hour. The provision had been transferred according to F.R.66 as the material aid provided under the PALAM/A project and the costs related to exempting the material aid from customs should be accounted under the correct object.
- Annual expenditure estimates should be prepared correctly and accurately in terms of the Financial Regulation 50.

3.2 Procurements

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Even though e-procurement system should be used in procurement under shopping method by the Public Procurement entities in terms of the Public Finance Circulars No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019 regarding the introduction of the state e-procurement system to government institutions. Goods totaling to Rs.2,008,935 had been procured by the National Procurement Department on 14 occasions in the year 2023 under shopping method without using the e-procurement system.</p>	<p>The awareness program about the use of this system had been started by the State E-Procurement Secretariat on 05 April 2023. Officials had not had enough knowledge about the use of e-procurement system in the year 2023. However, necessary steps had been taken to carry out procurement through this system from the year 2024.</p>	<p>The relevant circular provisions should be followed in making procurements.</p>

3.3 Assets Management

3.3.1 Vehicles

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) 04 vehicles owned by the department had not been used for the use of the department and had been given to the Ministry of Finance, Economic Stabilization and National Policies and the Department of Development Finance without a formal transfer.	Those vehicles will be taken back to the said department according to the duty requirement of the National Planning Department. The vehicle bearing the number WP KQ-6923, which had been temporarily assigned to the Ministry of Finance, Economic Stabilization and National Policies, had been taken back for the duties of the National Planning Department.	Arrangements should be made to transfer the vehicles in a formal manner or to get them back to the department.
(b) Even though a period of 08 months and 04 months had elapsed as on 10 April 2024 respectively after two cars of the department had involved in an accident during the year under review, a full reports had not been submitted regarding motor vehicle accidents in terms of F.R. 104(4). No steps had been taken by the department to recover the loss caused to the cars from the concerned parties.	A full report will be submitted as per Section 104(4) after the repair of the vehicle bearing WP KQ 6923 owned by the department and after receiving the report of the investigation board appointed in connection with the accident of the vehicle bearing No. WP KP 5871 on 21.12.2023. Further action will be taken according to the recommendations of the final inspection report as per the F.R.104 held regarding the 02 cars bearing WP KP 5871 and WP KQ 6923.	Expeditious actions should be taken regarding motor vehicle accident in terms of the Financial Regulations.

4. Human resource management

4.1 Approved Cadre and Actual Cadre

Audit Observation	Comments of the Accounting Officer	Recommendation
The total number of vacancies in the department as at 31 December 2023 was 28 according to the personnel data submitted for audit ,and no steps had been taken during the year under review to fill up the vacancies or revise the number of sanctioned posts.	Agreed.	Measures should be taken to fill the vacancies or update cadre in a formal manner.