

Head 237 - Department of National Planning - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 237- The audit of the financial statements of Department of National Planning for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 summery report containing my comments and observations on the financial statements of the Department of National Planning was issued to the Accounting Officer on 30 May 2025 in terms of Section 11(1) of the National Audit Act, No 19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 25 July 2025 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of 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 financial statements of the Department of National Planning for the year ended 31 December 2024 give a true and fair view on the financial position and its financial performance and cash flows and all the materialities in compliance with the basis of preparation of the financial statements set out in Note 01 related to the financial statements.

1.2 Basis for Qualified 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 responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Emphasis of Matter - Basis of Preparation of Financial Statements

The attention is drawn to Note 1 to the financial statements which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of National Planning, the General Treasury and the Parliament in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Therefore, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of National Planning, the General Treasury and the Parliament of Sri Lanka. My opinion is not modified on this matter.

1.4 Responsibilities of 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 all materialities in accordance with the Government Financial Regulations, 150 and 151 and State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, and for determining such internal control as 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 the preparation of annual and periodic financial statements.

In terms of 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 of the department 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.

1.5 Auditor's Responsibilities 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 due to fraud or error and to issue an Auditor General'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 assess 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.

1.6 Comments on the Financial Statements

1.6.1 Non-compliance of the financial statements with circular provisions

Although the financial statements should be prepared in accordance with the State Accounts Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025, an instance of deviation from those requirements was observed as follows.

Audit Observation	Comments of the Accounting Officer	Recommendation
In terms of paragraph 6 of the State Accounts Guidelines, the Cash Flow Statement should be prepared using the direct method, considering both cash and cross entries. However, the Department had prepared the Cash Flow Statement by considering only the cash advance receipts and the cash advance payments made. Accordingly, both the advance receipts and advance payments had been understated by Rs. 1,074,913. As a result, the cash flows generated for operating activities and the cash flows disbursed from operating activities had each been understated by the same amount.	This does not have any impact on the overall cash flow.	Accounts should be prepared in accordance with the guidelines issued by the Department of State Accounts.

1.6.2 Accounting Deficiencies

Capital Expenditure

Audit Observation	Comments of the Accounting Officer	Recommendation
A cheque amounting to Rs. 1,454,011 had been issued on based of the internal memorandum dated 19 December 2024 of the Chief Consultant and the relevant	The Project Director of the Japan International Cooperation Agency has confirmed, by letter dated December 13, 2024, that the Capacity Development for Efficient Public Investment	Only the expenditure and assets pertaining to the year should be accounted for, and money should not be retained at the end of the year without the

institution invoice, without obtaining confirmation regarding the completion of the task in accordance with the agreement for the Completion of Milestone of Information System for Project Proposals under the Capacity Development Project for Effective Public Investment Management. Subsequently, the Chief Consultant had informed that the payment should be temporarily withheld as the task had not been completed. According to the bank reconciliation statements for December 2024 and January 2025, although the cheque had been issued, it had been recorded as a cheque not presented for payment. However, it was observed that the said cheque had been retained without being handed over to the relevant institution until 13 February 2025. Accordingly, due to the sum of Rs. 1,454,011 not actually disbursed, the expenditure and non-financial assets in the financial statements for the year under review were overstated by that amount.

Management Project has been fully completed. It has been stated through an internal memorandum that, due to delays in the payment files of the project, payments have been temporarily suspended. The expenditure relating to this software under this project had been provided for through the 2024 year estimates, and upon the completion of the work in December 2024, payments had been made in accordance with Financial Regulation 135. The payment should be made in accordance with the agreement signed between the Government of Sri Lanka and the said institution, and it is a payment that was actually made.

approval of the Treasury.

2. Report on other Legal Requirements

I express the following matters in terms of 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 on the financial statements of the preceding year had been implemented.

3. Financial Review

3.1 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The total estimated provisions for three recurrent objects and five capital objects amounted to Rs. 10,850,000, out of that Rs. 8,085,573 remained saved, that saving representing a range of 33 percent to 100 percent.	Provisions remained saved due to expenditure control, non-execution of repairs, reduced expenditure on machines and office equipment service contracts, and expenditure of vehicle insurance, as well as restrictions on study courses and domestic training programs, Although domestic training programs were planned for the final quarter of the previous year, financial support for these programs was provided by the Japan International Cooperation Agency. and arrangements were made to conduct that workshop at the beginning of the year 2025, non-acquisition of office equipment, machines, and machinery equipment ,due Failure to carry out construction and building works., the minimal use of vehicles, and consequently the non-performance of vehicle maintenance activities, among other reasons, the allocations remain saved.	Estimates should be prepared accurately and realistically.

4. Operational Review

4.1 Planning

The following deficiencies were observed in the preparation of the annual action plan in accordance with Paragraph 03 of the Public Financial Circular No. 02/2020 dated 28 August 2020.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the responsible areas and activities that should be included in the action plan submitted by the department were stated, it did not indicate the responsible officer for those activities. Further, in accordance with Paragraph 3(e) of the guidelines, the internal audit plan was not included within the action plan.	Although the action plan for the year 2024 included the area, responsibility, and activities has been stated, but it failed to specify the responsible officers by mistake. However, this was corrected by the action plan for the year 2025.	The action plan should be prepared in accordance with the Public Financial Circular.

4.2 Foreign fund Project

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Under 02 projects, namely the Food Security and Livelihood Recovery Emergency Assistance Project and the Sri Lanka Market Alliance (PALAM/A) Project, a total of Rs. 2,330,064,097 was allocated provisions for 06 objects during the year under review through supplementary estimates and from F.R. 66, without providing for	It was observed that provisions for four objects under the Food Security and Livelihood Recovery Emergency Assistance Project had been transferred under F.R. 66, and since Cabinet approval for the Sri Lanka Market Alliance – Phase II Project was obtained in February 2024, the requirement of provisions pertaining to that project had been made	The annual expenditure estimates should be prepared accurately and realistically.

these objects in the original estimates. through supplementary estimate and from F.R. 66.

(b) The total estimated provision of Rs. 2,967,780,000 allocated for the four projects — namely, the National Support to Respond to the Rapid Impact on Trade-Related Income and Expenditure Activities Project and the Capacity Development for Effective Public Investment Management Project — along with the Food Security and Livelihood Recovery Emergency Assistance Project and the Sri Lanka Financial Sector Safety Net Project (Australian Grant), had been object to transfers amounting to Rs. 2,282,783,809 under F.R.66. These funds had been transferred from the objects of the said projects to other objects without being utilized for their intended purposes. The value of the transfers ranged between 8 percent and 100 percent of the allocated provisions.

The Food Security and Livelihood Recovery Emergency Assistance project.

Out of the total estimate of the project, a sum of Rs. 75,018,761 had been transferred to the Market Alliance in Sri Lanka Project, while the remaining provision transfers had been made within the Food Security and Livelihood Recovery Emergency Assistance Project itself

Sri Lanka Financial Sector Water Project (Australian Grant)

Under the project, out of the allocations provided under thirteen (13) foreign funding sources, remain provision of Rs. 700,000,000 had been transferred to the Market Alliance Project in Sri Lanka. Out of the allocations made under the Foreign Financing cost seventeen (17) of the project, a provision of Rs. 45,120,960 for Partnership for Accelerating Result in Trade ,National, Expenditure and Revenue Activity and a provision of Rs. 4,879,040 had been transferred to the Market Alliance Project in Sri Lanka.

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**Partnership for
Accelerating Result in
Trade ,National,
Expenditure and Revenue
Activity.**

Allocated provisions of Rs. 5,000,000 for the project were transferred to the provisions made under the financial grants of total equipment source (13).

**Capacity Development for
Effective Public
Investment Management.**

Unused provisions from the project were transferred to the Sri Lanka Market Alliances (PALAM/A) project, which required additional provisions. Furthermore, for projects with unutilized provision needs, transfers were carried out in accordance with F.R. 66, therefore necessary actions were taken to efficiently manage the additional provisions.

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| (c) Out of the estimated provisions of Rs. 1,870,000,000 for 03 capital objects under the Food Security and Livelihood Recovery Emergency Assistance Project, after transferring provisions to another object through F.R. 66 , the total balance of Rs. 369,188,319 remain saved. That saving represented | Due to the Presidential and Parliamentary Elections held in 2024, the activities of this project could not be carried out as planned, therefore provisions of the project has been saved. | -Do- |
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83 percent to 98 percent of the net provisions of those objects. Under the above project, for the two capital objects 237-1-1-20-2202-13 and 237-1-1-20-2202-17 (Development Assistance), the total estimated provisions amounted to Rs. 420,000,000, of which Rs. 197,695,768 remained unutilized. That saving represented 45 percent and 95 percent of the estimated provisions of the two objects. Accordingly, it was observed during the audit that the provisions had been allocated without properly identifying the requirement, therefore provisions were remain saved. Hence it was unable to utilize money for other important purposes of the country.

4.3 Procurements

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with Public Finance Circular No. 05/2018 dated 23 October 2018 and No. 08/2019 dated 17 December 2019, issued regarding the introduction of the State E-Procurement System to Government institutions, Even though it was stated that all Government institutions should carry out activities such as registration in the Public Procurement entities , registration of coordinating officers, registration of	All procurements carried out during the first few months of 2024 had been conducted without using the E- procurement system. In the purchase of toner and cartridge types, it was observed that licensed institutions providing services for the respective brands were available within Sri Lanka, and that accessories required for those brand models should be procured from those four	Procurements should be carried out in accordance with the relevant circular.

suppliers, submission of the annual procurement plan, publication of procurement notices, and e-procurement system should be used in procurement under shopping method. Goods totaling to Rs. 2,751,980 had been procured by the Department on 08 occasions in the year 2024 under shopping method without using the e-procurement system.

institutions. In such circumstances, referring the procurement to the E-procurement system would have been an ineffective process, hence such referral had not been made.

4.4 Asset Management

4.4.1 Vehicle Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
With regard to the accidents relating 03 vehicles, a period ranging from 40 days to 150 days had been taken to issue the preliminary report in terms of Financial Regulation 104(1)(a) and 104(3). In accordance of Financial Regulation 104(4), a full report should be submitted within 03 months from the date of the damage after conducting the inquiry. However, with regard to one vehicle accident, a full report had not been submitted up to now nor had a preliminary investigation been conducted in this regard. In respect of another vehicle accident, a period of 06 months had been taken to submit the full report. Furthermore, it was observed that, in respect of another vehicle handed over by the Department to the Ministry of Finance for temporary use, the accident had not been promptly reported to the Police in terms of Financial	Since one of the vehicles belonged to the Ministry of Finance, the preliminary report on the accident has been submitted by this Department in accordance with Financial Regulation 104, and necessary action has been taken to inform the Ministry of Finance to submit the final report. Since it took 06 months to submit the full report regarding the other vehicle accident, this is consistent with the observations made during the audit. Another vehicle belonging to this department, which had been temporarily handed over to the Ministry of Finance, was involved in an accident, and investigations were conducted based on the information submitted regarding that incident. It was informed, through a letter dated 23.04.2025, that	Actions should be taken in accordance with the Financial Regulations.

Regulation 1642. It was also not confirmed in audit that the driver had reported the matter to the relevant officers. Although a board of investigation appointed to conduct a preliminary investigation into the accident after a delay of more than nine months had issued a final report on the losses under Financial Regulation 104(4) on 29 November 2024, the internal audit revealed that the inquiry had failed to properly disclose the facts relating to the accident. Accordingly, it was observed that although more than 19 months had elapsed since the occurrence of the accident, the inquiry had not yet been concluded.

an officer from another department would be appointed to conduct a formal re investigation.

5. Sustainable development

5.1 Identification of Sustainable Development Goals

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the United Nations 2030 Agenda, it was observed that measures had not been taken to identify the Sustainable Development Goals and the identification of necessary criteria to measure the progress towards achieving those goals, nor to establish an accurate data system in relation thereto.	04 Sustainable Development Goals and their corresponding criteria have been identified.	Although it had been stated that the Sustainable Development Goals and criteria had been identified, according to the 2024 Performance Report, it was stated that no separate identification of Sustainable Development Goals relevant to the Department had been carried out. Action should be taken to identify the Sustainable Development Goals/targets relevant to the Department scope, in accordance with agenda on Sustainable Development

6. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the information submitted for audit, as at 31 December 2024, out of the actual senior-level staff count of 42 officers, two officers had obtained 05 year foreign leave under P.A.C. No. 14/2022, one officer had been considered as having vacated post, and another officer had obtained no-pay study leave without formal approval. Accordingly, the number of senior-level officers actively engaged in service was 38. Accordingly, it was observed that out of the senior-level posts directly impacting the department performance, 21 posts (with 17 vacancies) were unable to contribute, representing 35 percent of the approved staff strength. However, the department has not taken formal steps up to now to fill the senior-level vacancies that directly affect performance, nor to revise the approved staff as require.	In the previous year, there were 17 vacancies in senior-level positions within the department. Although letters expressing agreement to assign officers to those positions had been submitted, inability to release them from institutions operating without substitutes, unable to be transferred due to various reasons such as the election time period, several of these officers reported for duty during the year. Although the post of Librarian in the approved cadre had been designated as a Grade I/II/III position, the vacancy in this post, which had existed for several years, was filled by a supra grade officer transferred from the Ministry of Public Administration. Accordingly, there is an extra officer in the actual tertiary-level staff. A request has been submitted to the Department of Management Services to obtain approval to the post of Librarian as a Supra Grade post.	Action should be taken to promptly fill the required vacancies.