

Head 123- Ministry of Constructions, Engineering Services, Housing and Common Amenities and Departments under that Ministry Auditor General's Report for the year- 2013

This report consists of two parts.

Part 1 – Summarized Report relating to the Accounts of the Ministry and Department under the Ministry.

Part 2 - Detailed Report relating to Each Head

Part 1

Summarized report relating to Accounts of the Ministry of Constructions, Engineering Services, Housing and Common Amenities and Departments under the Ministry.

1. Department under the Ministry

Head	Department
309	Buildings Department
310	Government Factory
311	Department of National Physical Planning

2. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

While the total net provision made for the Ministry and 03 Departments under the Ministry amounted to Rs.3,855,521,554 a sum of Rs.3,091,867,529 or 80.19 per cent had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and each Department out of the net provision had been in a range between Rs.4,719,829 and Rs.540,491,284 or between 3 per cent and 51 per cent of the net provision respectively. Details are shown below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs.	Rs.	Rs.	
123	3,042,140,000	2,501,648,716	540,491,284	17.77
309	282,309,000	255,016,629	27,292,371	9.67
310	374,107,830	182,957,289	191,150,541	51.10
311	156,964,724	152,244,895	4,719,829	3.01
Total	3,855,521,554	3,091,867,529	763,654,025	19.81

2.2 Advance Accounts

2.2.1 Advances to Public Officers Accounts

Limits Authorized by the Parliament

Limits authorized by the Parliament on the Ministry and 03 Departments under the Ministry relating to Advances to Public Officers Accounts and actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
12301	7,500,000	5,528,569	4,000,000	5,148,395	70,000,000	23,877,959
30901	20,000,000	16,342,773	12,000,000	15,376,865	85,000,000	46,168,430
31001	28,000,000	18,431,869	18,000,000	19,829,422	122,000,000	86,058,391
31101	14,000,000	5,772,892	7,400,000	12,367,902	90,000,000	30,270,981

2.2.2 Commercial Advance Accounts

Two Commercial Advance Accounts called Stores Advance Account – Item No. 31002 and Work Done Advance Account – Item No.31003 had been maintained respectively, by the Government Factory under the Ministry.

(a) Limits Authorized by the Parliament

Item No.	Expenditure		Receipts		Debit Balance		Liabilities	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
31002	200,000,000	193,180,922	120,000,000	219,514,531	10,000,000	4,353,447	92,000,000	64,512,379
31003	450,000,000	430,391,111	280,000,000	459,937,207	180,000,000	117,828,358	5,000,000	1,632,964

(b) Financial Results

Financial results of the two Commercial Advance Accounts were as follows.

Item No.	Advance Account Activity	Financial Results			
		2013		2012	
		Profit/(loss) without Hypothetical Charges	Profit/(loss) with Hypothetical Charges	Profit/(loss) without Hypothetical Charges	Profit/(loss) with Hypothetical Charges
		Rs.	Rs.	Rs.	Rs.
31002	Stores Advance Account	36,472,459	36,472,459	(9,928,957)	(9,928,957)
31003	Work done Advance Account	25,439,298	25,238,298	101,485,931	101,284,931

2.3 Imprest and General Deposits Account

2.3.1 Imprest Accounts

The total of the balances of Imprest Accounts of two Departments under the Ministry was Rs.13,433,583. Details are given below.

Department	Imprest Account No.	Balance as at 31 December 2013
		Rs.
Buildings Department	67/0013	3,341
Government Factory	43/13	13,430,269
Total		13,433,583

2.3.2 General Deposits Accounts

The total of Deposits Account of the Ministry and three Departments under the Ministry as at 31 December 2013 was Rs.735,07,277. Details are shown below.

Ministry/Department	Deposit Account No.	Balance as at 31 December 2013
		Rs.
Ministry of Constructions, Engineering Services, Housing and Common Amenities	15/79	865

Buildings Department	15/163	91,219,127
	15/176	641,321,928
Government Factory	15/164	1,721,369
National Physical Planning Department	6000/0/0/15/165	812,988

Total		735,076,277
		=====

Part 2

Detailed Report relating to each Head

1. Head 123- Ministry of Construction, Engineering Services, Housing and Common Amenities

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Ministry of Construction, Engineering Services, Housing and Common Amenities for the year ended 31 December 2013 was carried out in pursuance of Provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 23 October 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue account and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (c) and major audit findings appearing in paragraphs 1.4 to 1.6 herein, the Appropriation Account and the reconciliation statements of the Ministry of Constructions, Engineering Services, Housing and Common Amenities had been prepared satisfactorily.

(a) Budgetary Variance

Due to excessive provision made for 03 Items of Expenditure, balance left after utilization of provisions was in a range between 23 per cent and 41 per cent of the relevant net provisions.

(b) General Deposits Accounts

Action had not been taken in terms of Financial Regulation 571 with regard to 03 deposits amounting to Rs.90,625 that had elapsed even a period of 2 years.

(c) Advances to Public Officers Account

While the total of recoveries in arrears according to the Reconciliation Statement relating to Advances to Public Officer Account – Item No. 12301 amounted to Rs.68,770 the Ministry had failed to recover those balances in arrears.

1.4 Good Governness and Accountability.
-----**1.4.1 Internal Audit**

Although an Internal Audit Unit was in existence, an adequate internal audit had not been carried out.

1.5 Assets Management

Although the board of survey relating to the year 2013 had been done, a survey had not been carried out with regard to the vehicles.

1.6 Human Resources Management
-----**Approved and Actual Cadre**

Cadre position as at 31 December 2013 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Number
		-----	-----	-----	-----
(i)	Senior Level	27	24	03	--
(ii)	Tertiary Level	04	01	01	--
(iii)	Secondary Level	107	99	08	--
(iv)	Preliminary Level	44	41	03	--
(v)	Others (Casual/Temporary Contract Basis)	--	02	--	02
	Total	-----	-----	----	---
		182	167	17	02
		===	===	==	==

Following observation is made
The Ministry had failed to fill 17 vacant posts as at the end of the year under review.

2. Head 309- Buildings Department

2.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Buildings Department for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 20 October 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (b) and major audit findings appearing in paragraphs 2.4 to 2.8 herein, the Appropriation Account and the reconciliation statements of the Buildings Department had been prepared satisfactorily.

(a) Non- maintenance of Registers and Books

The Fixed Assets Register in terms of the Treasury Circular No. 842 of 19 December 1978 had not been properly maintained and updated by the Department.

(b) General Deposits Account

Action had not been taken in terms of Financial Regulation 571 with regard to 02 deposits amounting to Rs.22,496,331 that had elapsed a period over 2 years.

2.4 Good Governness and Accountability

Internal Audit

An Internal Audit Unit had not been established in the Department.

2.5 Assets Management

Two motor vehicle of the Department had been idled for more than 04 years.

2.6 Weaknesses in Implementation of Projects

(a) Delays in Implementation of Projects

Following delays in Implementation of Projects by the Department were observed.

Project	Estimated Cost	Date of Commenced	Date to be Completed	Physical Progress As at 31 December 2013	Reasons for the Delay
	Rs. Million			%	
Improvement in the system for disposal of unclean water in Buddhist and Pali University, Homagama.	5.130	13.07.2013	30.09.2013	90	Non- receipt of funds
Improvement of car park of the Prime Minister's Office.	57.647	28.04.2013	30.12.2013	66	Lack of labourers
Construction of 04 official quarters in Rideegama Safari Park.	43.250	02.07.2013	30.12.2013	70	Reasons not given
Construction of three-wheeler park in the Government Factory.	6.30	26.09.2013	23.10.2013	50	Land disputes
Construction of boundary wall in the Government Factory.	16.38	28.10.2013	02.12.2013	35	Reasons not given

(b) Abandonment of Projects without Completion

The Project for construction of quarters for the officers of the Samanthurai, Paddy Research Institute at a cost of Rs.7.675 million had been commenced by the Department on 27 June 2012. While a sum of Rs.2.43 million had been spent as at 31 December 2013, Project had been abandoned without being completed due to delay of the contractor.

2.7 Losses and Damages

Even though the value of damages occurred due to an accident took place on 01 July 2011 to a vehicle amounted to Rs.344,421 the unrecovered amount of Rs.70,262 from the Insurance had not disclosed in the Appropriation Account. Action had not been taken further by the Department to recover this loss from the parties responsible.

2.8 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies	Excess Number
(i)	Senior Level	110	64	46	--
(ii)	Tertiary Level	23	10	13	--
(iii)	Secondary Level	233	177	56	--
(iv)	Preliminary Level	178	120	58	--
(v)	Others	--	16	--	16
	Total	544	387	173	16
		===	===	===	==

Following observation is made

Out of the 173 vacancies, 84 vacancies consist of officers directly involved in the main functions of the Department such as engineers, architects, technical officers and draftsmen. The Department had failed to fill these vacant posts.

3. Head 310- Government Factory

3.1 Scope Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Government Factory for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Factory Engineer on 27 January 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

3.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

3.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (h) and major audit findings appearing in paragraphs 3.4 to 3.9 herein, the Appropriation Account and the reconciliation statements of the Government Factory had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

Following observations are made.

Following registers relating to government quarters had not been properly maintained and updated by the Department.

- (i) An updated register containing particulars of officers who are provided with government quarters.
- (ii) A classified register of government quarters belong to the Government Factory.
- (iii) Although separate files had been maintained for each house, they were not properly updated and maintained.

(b) Lack of Evidence for audit

Position relating to the recovery of outstanding loan balances totaling Rs.74,929 due from 05 offices could not be satisfactorily vouched in audit due to lack of loan files or any other written evidence.

(c) Non- compliance with limits

Although the maximum debit balance limit for the year under review authorized by the Parliament relating to Item No. 31003, Advance Account for Work Done was Rs.180,000,000 actual debit balance had been Rs.362,360,453. Accordingly, maximum debit balance had exceeded in a sum of Rs.182,360,453 or 101 per cent.

(d) Budgetary Variance

Following observations are made.

- (i) The Entire provision of Rs.1,025,000 made available under 03 Items of Expenditure had been saved.
- (ii) Due to excess provisions made under 05 Items of Expenditure, savings after utilization of provisions were in a range between 22 per cent 63 per cent of the net provisions relating to those Items of Expenditure.

(e) Imprest Accounts

Following observations are made.

- (i) The total of Imprest balances as at 31 December 2013 and amounted to Rs.446,037 that had not been settled up to 30 April 2014.
- (ii) Although the unsettled debit balance of the Imprest Account No. 43/13 as at 31 December 2013 had been shown as Rs.13,430,269 a sum of Rs.1,083,784 had been settled during that year. Due to that, the balance of the Imprest Account had been overstated in a similar amount.

(f) General Deposits Account

Action had not been taken in terms of Financial Regulation 571 with regard to 28 deposits amounting to Rs.253,244 that had elapsed a period over 2 years.

(g) Reconciliation Statement relating to Advances to Public Officers Account

Following observations are made.

- (i) According to the reconciliation statement as at 31 December 2013 relating to Item No.31001 Advance Account, the total of balances in arrears as at that date

amounted to Rs.907,372. The Department had failed to recover those balances in arrears.

- (ii) Festival Advances totalling to Rs.20,000 of seven officers and special Advances totalling Rs.7,250 of two officers as at 31 December 2013 of the Advances to Public Officers Account had not been disclosed . Accordingly, the balance as at 31 December 2013 of the Advances to Public Officers account had been understated in a sum of Rs.27,250.

(h) Commercial Advance Account

Following observations are made.

- (i) Although the Creditors balance of the Item No. 31002- Stores Advance Account as at 31 December 2013 had been shown as Rs.62,880,667, a sum of Rs.3,017,046 had been understated while a sum of Rs.1,358,665 had been overstated. When these amounts are adjusted the correct balance of the Creditors Account had been Rs.64,539,058. Accordingly, the Creditors balance had been understated in a sum of Rs.1,658,381.
- (ii) Although the Debtors balance of the Item No. 31003- Advance Account for Work Done as at 31 December 2103 had been shown as Rs.362,360,452 a ledger of individual balances had not been maintained and reconciled those balances monthly or annually with the control account balance. Detailed schedules and age analysis too, were not presented to audit to confirm the balance shown in the financial statements.
- (iii) It had been failed to recover a sum of Rs.53,161,909 relating to 224 debtors balances of Item No. 31003 Advance Account for work done from the year 1995 to the year 2007.

3.4 Good Governess and Accountability

Internal Audit

An Internal Audit Unit had not been established in terms of Financial Regulation 133 and the paragraph 03 of the Management Audit Circular No. DMA/2009(1) dated 09 January 2009. An audit had not been carried out in the Government Factory at least by the Internal Audit Section of the Ministry of Constructions, Engineering Services, Housing and Common amenities.

3.5 Assets Management

(a) Idle and Under-utilized Assets.

It was observed in audit sample checks that certain assets had been idled or under-utilized as categorized below.

Type of Assets	No. of Units	Value	Idle or Under-utilized Period
----------------	--------------	-------	-------------------------------

			Rs.	
(i)	Land of the Government Factory at Kolonnawa	15 acres	Not traceable	It was confirmed that a part of about 02 acres in extent is enjoyed by unauthorized occupants for a period of more than 25 years.
(ii)	Machinery			
	Powder Coating Machine	01	Not traceable	For a period of more than 03 years.
	Universal Tool Sharpener	01	1,440,000	For a period of more than 01 year.
	Power Press Machine	01	1,109,304	For a period of more than 01 year.
	Hollow Chisel Moriser & Borer	01	2,728,250	For a period of more than 01 year.

(b) Un-settled Liabilities

While the value of liabilities un-settled by the Department as at 31 December 2013 had been Rs.53,800,863 out of this, liabilities amounting to Rs.15,554,066 had not been disclosed.

3.6 Non-compliances

(a) Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules and regulations observed in audit sample checks are analyzed below.

Reference to Laws, Rules, Regulations etc.	Value	Non-compliance
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka.		
Paragraph 5 of Chapter XIX	69,501	House Rent amounting to Rs.69,501 had been under recovered from 3 officers.
(b) Government Procurement Guidelines		
Clause 3.3	12,809,816	Machinery and vehicles had been purchased

during the year under review by resorting limited quotation system, contrary to this clause.

3.7 Performance

Following matters were observed.

- (a) Although the targeted revenue of 09 Projects according to Action Plan of the year 2013 had been Rs.262.87 million annual progress had been Rs.135.48 million according to the progress review reports. Accordingly, the financial progress as at 31 December 2013 had been in a lower level in a range between 0.9 per cent to 82 per cent than the expected level.
- (b) A sum of Rs.308.56 million provided for the purchase of goods and services in the 2013 Annual Estimate, had not been included in the Annual Action Plan.

3.8 Improper Transactions

According to the Procurement Guideline 3.3, number of all known suppliers is small when calling for quotations, it should be ensured that competitive quotations are submitted by alternative suppliers inclusive of the known suppliers. Quotations had been called for from 06 institutions and prices had been quoted only by two institutions for the supply of one Boom Truck. This Boom Truck had been purchased later on 30 November 2013 for a sum of Rs.11,540,505 having considered only the quotations received from those two institutions.

3.9 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	21	15	06
(ii)	Tertiary Level	07	05	02
(iii)	Secondary Level	125	100	25
(iv)	Preliminary Level	466	370	96
		----	----	----
	Total	619	490	129
		===	===	===

Following observation is made.

Adequate courses of action had not been taken to fill 129 vacant posts being 20 per cent of the total number of employees of the Department. Among these, there were 06 posts of senior level, 25 posts of secondary level and 96 posts of primary level.

4. Head 311- Department of National Physical Planning

4.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records of the Department of National Physical Planning for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 03 October 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

4.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

4.3 Audit Observations

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) and (b) and major audit findings appearing in paragraphs 4.4 to 4.7 herein, the Appropriation Account and the reconciliation statements of the Department of National Physical Planning had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

 Fixed Assets Register had not been properly maintained and updated by the Department in terms of Treasury Circular No. 842 dated 19 December 1978.

(b) Reconciliation Statement relating to Advances to Public Officers Account

- (i) According to the reconciliation statement relating to Item No. 31101- Advances to Public Officers Account as at 31 December 2013, the total of balances in arrears as at that date amounted to Rs.1,856,257. The Department had failed to recover those arrears of balances.
- (ii) Out of a loan of Rs.175,000 paid during the year 2013 without compliance of laid down requirements, it had not been possible to recover a sum of Rs.121,305 as at 25 September 2014.

4.4 Good Governess and Accountability.

Annual Procurement Plan

A Procurement Plan had not been prepared for the year 2013 in terms of National Budget Circular No. 128 dated 24 March 2006.

4.5 Non-compliance with Laws, Rules, Regulations etc.

Immediately after the occurrence of a loss or damage, it is required to commence inquiries in order to ascertain the extent, reasons and also to determine the parties responsible, in terms of the Financial Regulation 104 of the Democratic Socialist Republic of Sri Lanka. However, such action had not been taken with regard to an accident to a vehicle of which repair cost had been Rs.1,029,029.

4.6 Performance

Physical progress according to the Action Plan for identification of land and feasibility studies in order to implement projects identified through the National Physical Plan, had been 30 per cent.

4.7 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2013 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
	-----	-----	-----	-----
(i)	Senior Level	40	10	30
(ii)	Tertiary Level	13	2	11
(iii)	Secondary	135	83	52

	Level			
(iv)	Preliminary Level	47	32	15
		----	----	----
	Total	235	127	108
		===	===	===

Following observations are made.

- (a) Department had failed to fill 108 vacant posts as at the end of the year under review.
- (b) Number of vacancies in senior, tertiary, secondary and preliminary levels in relation to approved cadre had been 75 per cent, 85 per cent, 39 per cent and 32 per cent respectively. It was not possible to rule out in audit that the existence of such large under of vacancies at all levels had not been a challenge to carry out the functions of the Department efficiently and effectively.