

Head 123 - Report of the Auditor General on the Ministry of Housing and Construction – Year 2017

The Appropriation Account and the Reconciliation Statement under Head and Item Number stated in the First Schedule and Third Schedule of the Appropriation Act, No. 24 of 2016 as amended by the Appropriation (Amendment) Act, No.32 of 2017 were presented to Audit by the Ministry of Housing and Construction. The financial and physical performance reflected by those accounts and the reconciliation statements were audited in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

1.2 Responsibility of the Chief Accounting Officer for the Financial Management and Accountability

The Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of all the financial operations of Government in terms of Financial Regulation 124 of the Democratic Socialist Republic of Sri Lanka. The Chief Accounting Officers have been appointed by the Minister of Finance to discharge the above responsibility in terms of Financial Regulation 124(2). The Head of the Department will be the Accounting Officer in respect of all the financial transactions of his Department in terms of Financial Regulation 125(1)(a) and the Revenue Accounting Officer has been appointed by the Treasury. This responsibility includes designing, implementing and maintaining internal controls relevant to the maintenance, preparation and fair presentation of Accounts and Reconciliation Statements presented within the limitations imposed by Parliament in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial Regulations and Administrative Regulations.

1.3 Scope of Audit

The audit of Ministry of Housing and Construction – Head 123 for the year ended 31 December 2017 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka in respect of designing of financial and physical performance, Government expenditure, Government revenue, management of human and physical resources, apply of internal control systems, compliance with laws, rules and regulations and maintenance of books, registers, records and reconciliation statements in an updated manner, preparation and presentation of accounts in timely manner, issuance of performance reports to respective parties based on the performance indicators. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 10 August 2018. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the plans, accounts, reconciliation statements and performance reports 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.

1.4 Audit Observation

The audit observations of the Ministry of Housing and Construction for the year ended 31 December 2017 revealed in audit appear in Management Audit Report in detail, mentioned in paragraph 1.3 above. The material and significant audit observations out of the audit observations included in the Management Audit Report appear in paragraph 2.1 to 2.8 of this report. It was observed that the accountability as the Chief Accounting Officer had been satisfactorily executed, to ensure the adequacy of the financial administration subjected to the following summarized audit observations revealed in the execution of the provisions of the Financial Regulations 127 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Accountability of the Chief Accounting Officer in terms of Financial Regulation 127	Non-compliance with that Provision by the Chief Accounting Officer	Reference to the Paragraph of the report which included the Observation
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Financial Regulations

127(1)(a)	That the financial work of his department should be planned so that the business is transacted with correctness and financial propriety; (that is so say, the business must be transacted in accordance not merely with the financial and departmental orders but also with the high standards of integrity expected in the transaction of public business.)	Registers and books had not been maintained	2.6
127(1)(b)	That a system which provides adequate control over expenditure and the collection of revenues,	1.Management Weaknesses 2. Non-compliances 3.Weaknesses in Human Resources Management	2.3 2.7 2.8
127(2)	That existing items of expenditure, as well as proposals for new or increased expenditure in the departments under his control, are closely examined in the Ministry from the point of view of economy and efficiency.	Projects abandoned without completing	2.1

127(3)	That all cases of doubt or difficulty are referred to him so that he may bring his own administrative experience and judgment to bear on them.	Assets belonging to the Government had not been used in a maximum efficiency.	2.3
127(6)	That the collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	Weaknesses mentioned in the Advances to Public Officers Account.	2.5

2. Material and Significant Audit Observations

2.1 Projects under Domestic Financing

(a) Even though plans had been made to construct 15,836 house units estimated cost amounted to Rs.3,234 million under 08 various Projects during the year under review ,only construction of 8,233 house units had been completed actually. The provision utilized in the year under review under this 08 Projects amounted to Rs.2,727 million and the physical progress of those Projects ranged between 08 per cent to 97 per cent.

(b) **Completing only a Part of the Projects.**

Continuous Housing Programme

(i) Model Villages Programme

A sum of Rs.1,388 million had been spent for this Project ,which had been scheduled to be commenced in January 2016 and completed in March 2017 and only the construction of 2,054 houses out of 4,382 expected houses had been completed . There were roof completed 2,207 houses and 114 houses completed up to the roof level . However, the basic infrastructure such as water, roads had not been properly made available. It was observed that the Project has completed by limiting the loans granted for the beneficiaries who are not interested for completion of the houses.

(ii) Scattered Housing Programme

A sum of Rs.4,302 million had been spent for this Project ,which had been scheduled to be commenced in January 2016 and completed in March 2017 and

only the construction of 15,032 houses out of 16,950 expected houses had been completed . There were roof completed 614 houses and 15 houses completed up to the roof level . It was observed that the Project has completed by limiting the loans granted for the beneficiaries who are not interested for completion of the houses.

(c) **Non-achievement of the Objectives expected by the Project.**

Welioya Housing Project

A sum amounting to Rs.368 million had been spent for this Housing Project which was scheduled to be commenced on January 2016 and completed at the end of March 2017 and 995 houses out of the expected 1,042 houses had been completed whereas the houses completed up to the roof level had been 47. As a result of the Project implemented without doing a proper study and searching on the natural factors of the area such as water, it was observed that most beneficiaries had left the residencies due to the water scarcity in the area.

2.2 **Assets Management**

A Jeep parked without used and remained idle from June 2016 to February 2017 more than a period of 06 months.

2.3 **Management Weaknesses**

The following observations are made.

- (a) Issuing of deeds to the house recipients /land recipients who are completed payments within the Colombo District had been delayed from the period of 01 year to 33 years.
- (b) The value of the relevant house had been decided based on the dates which the house recipients settled down on lease rent in vesting a freehold of the flats / house units given based on lease rent. Accordingly, the value had been decided on the price relevant to the period from 24 years to 43 years . It was revealed at audit test check that those houses had been given at a low price with more discounts from 50 per cent to 95 per cent in the full payment based on the Circular No.2002/ 04.කළ/01 and dated 16 January 2002 of the General Manager of the National Housing Development Authority .
- (c) A sum of Rs.385,000 had been under recovered from the house recipients due to discounts has given more than 10 per cent of the percentage to be given relating to 04 houses in the vesting of freehold of the houses contrary to the Circular No.2002/ 04.කළ/01 and dated 16 January 2002 mentioned above.

2.4 Utilization of Provisions authorized by Parliament to Perform Activities

Information on provisions made for the Ministry during the period of 05 years ended 31 December 2017 ,utilization and savings thereof and audit observations relating to the information of the year under review are given below.

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
		Rs. millions	Rs. millions	Rs. millions	
2013	Recurrent	311.26	289.80	21.46	6.89
	Capital	2,730.88	2,211.84	519.04	19.01
	Total	3,042.14	2,501.64	540.50	17.77
2014	Recurrent	343.41	328.40	15.01	4.37
	Capital	4,296.39	2,994.80	1,301.59	30.29
	Total	4,639.80	3,323.20	1,316.60	28.38
2015	Recurrent	643.19	628.68	14.51	2.25
	Capital	5,716.69	5,691.11	25.58	0.45
	Total	6,359.88	6,319.79	40.09	0.63
2016	Recurrent	1,208.33	1,176.31	32.02	2.64
	Capital	6,594.75	6,556.12	38.62	0.58
	Total	7,803.08	7,732.43	70.64	0.90
2017	Recurrent	683.98	681.82	2.15	0.31
	Capital	6,849.15	6,849.15	0.00	0.00
	Total	7,533.13	7,530.97	2.15	0.03

2.5 Advances to Public Officers Account

Limits Authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account, Item No.12301 of the Ministry and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
11.00	10.96	5.50	8.20	45.00	26.35

Even though the loan balance amounting to Rs.199,460 recoverable from an officer interdicted had been elapsed a period of 01 year and 06 months, the Ministry had failed to recover the said balance .

2.6 Non-maintenance of Registers and Books

It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in a proper and updated manner.

Type of Register	Relevant Regulation
(a) Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002
(b) Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978.

2.7 Non- compliances

Non- compliance with Laws, Rules and Regulations

Instances of non- compliance with the provisions in laws, rules and regulations observed at the audit test checks are analyzed and given below.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Government Procurement Guidelines

Guideline 5.4.12

Details on Value Added Tax should be furnished to the Commissioner General of Inland Revenue with a copy to the Auditor General. However, it had not been so done.

(b) Paragraphs 06(i), (ii) and 07 of the Management Audit Circular No.01/2016 dated 01 January 2016.

The details on newly added vehicles within the quarter ,disposal of vehicles , including other changes before 15 th of the ensuing month at the end of a quarter as per the Circular ,should have been furnished to the Department of Management Audit. However, it had not been so done.

2.8 Human Resources Management

(a) Approved Cadre, Actual Cadre and Expenditure on Personal Emoluments

The particulars relating to the approved cadre, actual cadre, vacancies and the excess cadre as at 31 December 2017 in the Ministry are given below. The Ministry had incurred a sum of Rs.110 million for the personal emoluments for the year under review. Accordingly, the per capita expenditure had been Rs.754,240..

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	27	18	09
(ii)	Tertiary Level	06	03	03
(iii)	Secondary Level	106	78	28
(iv)	Primary Level	52	44	08
(v)	Other	03	03	-
	Total	194	146	48

- (b) Forty eight vacancies are existed in this Ministry and the necessary steps had not been taken to fill these vacancies in the year under review. Instead, 23 officers of whom their salaries being paid from the Institutions of State Engineering Corporation, State Development and Construction Corporation, National Housing Development Authority, Construction Industry Development had been deployed for the duties of the Ministry from time to time within the period from December 2007 to December 2017. Despite vacancies are existed in the Ministry, an officer whom her salary being paid from the Ministry had been released for the duties of the National Housing Development Authority.