

Head 309 – Department of Buildings

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Buildings for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 Summary Report containing my comments and observations on the financial statements of the Department of Buildings was issued to the Accounting Officer on 30 May 2019 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Department was issued to the Accounting Officer on 31 May 2019 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the Department of Buildings as at 31 December 2018 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified 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 qualified 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 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.

The Accounting Officer shall ensure that an effective internal control system is maintained and maintained for the financial control of the Department in terms of sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- It is not intended to express an opinion on the effectiveness of internal control of the Department to plan appropriate audit procedures in a timely manner.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- The transactions and events underlying the structure and content of the financial statements are appropriately and fairly when submitting financial statements 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.

As there was no need for the Department of Buildings to prepare financial statements for the previous year, the recommendations for the financial statements of the preceding year is not presented.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Statement of Financial Position

Audit Observation	Recommendation	Comments given by the Accounting Officer
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(I) Although the value of the vehicles had been stated as Rs.148,470,000 according to the accounts as at 31 December 2018, as per the Register of Vehicles the value of 07 vehicles had been overstated by Rs.2,845,000 and one vehicle had been understated by a sum of Rs. 300,000 .	The values of the statement of non-current assets and Register of Vehicles should be equal.	The assessed figures issued by the insurance organizations on 14.04.2018 has been taken into Financial Statements as at 31.12.2018 on the instructions of the Department of State Accounts and it is stated in the Fixed Assets Report.
(II) Acquisition of furniture, office equipment and machinery had been understated by a sum of Rs. 10,559,475 in financial statements.	Acquisition of assets should be taken into accounts accurately.	Non- inclusion of the assets purchased by the sub offices in the Movement of non-current assets record as at 31.12.2018 has caused the difference.
(III) The value of property plant and equipment as at 31 December 2018 has been stated as Rs.694,092,706 and thus it had been a sum of Rs. 748,119,858 as per the statement of non-	Arrangements should be made to accurately state the value of property, plant and equipment in the accounts.	It is informed that the mistakenly made understatement in the financial statements will be corrected .

financial assets, the non-financial assets in the statement of financial position had been understated by a sum of Rs. 54,027,152 .

1.6.2 Non-revenue Receipts

----- Audit Observation -----	----- Recommendation -----	----- Comments given by the Accounting Officer -----
The Department does not have a Revenue Head and Non-revenue Receipts of Rs. 298,614,039 had been shown in financial statements as Revenue Receipts	It should be taken in to accounts under accurate Revenue Heads.	The income collected on behalf of other institutions during the year 2018 has been included for the convenience of the institution.

1.6.3 Balances of Advance Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments given by the Accounting Officer -----
The loan balances receivable from two retired officers amounted to Rs. 297,461 had remained without recovery for nearly two years.	Action should be taken to recover the loans taken by the officers before retirement.	It has been decided to collect the balances of the loans from pension gratuity from one officer and actions will be taken to recover the loan balances of others from the pension gratuity.

1.6.4 Maintenance of Documents and Registers

Certain documents were not maintained properly and in an updated manner by the Department.

----- Audit Observation -----	----- Recommendation -----	----- Comments given by the Accounting Officer -----
(a) Register of Fixed Assets -----		

The Register of Fixed Assets on Lands had not been updated as per the Treasury Circular No. 842 of 19 December of 1978 .

The Register of Fixed Asset on Lands should be maintained up to date as per the Treasury Circular.

Land-related asset records are maintained on the available information.

(b) Register of Liabilities

The Register of Liabilities had not been updated in terms of Financial Regulation 214.

The liabilities should be recorded in a Register of Liability so that it can be checked regularly.

It has been prepared updated as a record.

1.6.5 Certification to be made by the Chief Accounting Officer

Although the Accounting Officer should certify on the following matters in accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018, it had not been acted accordingly.

Audit Observation

The Chief Accounting Officer should ensure that an effective internal control system for the financial control exists 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 and even though such reviews should be made in writing and submitted a copy to the Auditor General, the statements that such reviews were made had not been furnished to audit.

Recommendation

Actions should be taken in terms of Section 38 of the National Audit Act No. 19 of 2018

Comments given by the Accounting Officer

The effective internal control system for the financial control of the Department is currently in operation and internal procedures will be submitted as a report in future.

1.6.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the Laws, Rules, and Regulations observed during the audit test checks carried out are analyzed below.

Observation	Recommendation	Comments given by the Accounting Officer
Reference to Amount Non-compliance Laws, Rules and Regulations		
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	Rs.	
(a) Public Administration Circular No. 2/2018 dated January 24, 2018 Paragraph 1	-	Although the Signing of annual performance agreements for the entire staff of the service should be made from the year 2018, such performance agreements had not been signed.
(I)		Circular provisions should be implemented.
		Signing of annual performance agreements have not been done in this Department for the entire staff employed and it is expected to make arrangements for that in the next year.
(II) Paragraph 6.1	-	Although the Department had prepared a Training Plan for the period 2016-2020, training programmes had not been designed to provide a training opportunity at
		A Human Resources Development Plan should be prepared in terms of the provisions of the Circular.
		The total provision of the Department for the year 2018 is not sufficient to provide training to the number of officers currently employed. Trainings are being provided

least 12 hours for each member of staff according to the Circular.

on essential occasions and actions will be taken to train all officers in future.

**(b) Procurement
Guidelines 2006
Goods and Works**

Paragraph 8.9.1 and 717,000
Paragraph 8.9.3

A Letter of Acceptance had not been provided when purchasing a container and also had not been entered into a contract agreement.

Actions should be taken in terms of Procurement Guidelines

The Department is currently working on contract agreements only for the instances of purchases made using standard bidding documents. Therefore, only a Letter of Acceptance has been issued for these purchases.

1.6.7 Non-compliance with Financial Statement Circular Provisions

Audit observation

Whilst comparison of the balances remained as at 31 December 2017 with the balances as at 01 January 2018 a sum of Rs. 550,985,491 relating to 03 assets items had been overstated and a sum of Rs. 69,603,146 relating to 02 items had been understated.

Recommendation

The opening balances of the current year should be equal to the closing balance of the previous year.

Comments given by the Accounting Officer

A report has been issued by the Department of State Accounts confirming the opening and closing balances were correct and it is hereby informed that its value is included in the financial statements for the year 2018 and those balances are correct.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments given by the Accounting Officer
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<p>(a) Significant variations were observed in the estimates of 14 Objects and the variation had ranged from Rs.16,000 to Rs.20,004,000 or from 10.67 per cent to 92.50 per cent .</p>	<p>Whilst preparation of the Annual Estimates it should concern to prepare in a manner of minimizing the variances .</p>	<p>Receiving of less than the estimated allocation for the year 2018 and not receiving of available funds even if requested for additional provisions and have to incur essential expenses had caused the variations.</p>
<p>(b) The total savings of relating to Programmes 01 and 02 under capital allocation were Rs.4,467,498 and Rs. 11,538,482 respectively and those savings were 48.5 per cent and 6.6 per cent from capital allocations related to programmes.</p>	<p>Arrangements should be made to complete the planned activities during the year.</p>	<p>Only furniture and machinery were purchased and when bids were called for the purchase of computers, since the prices were increased the bids were not submitted. Further, there were also no computer maintenance costs. The delays in approving vehicle repair estimates have resulted in savings.</p>

2.2 Entered in to Commitments and Liabilities

----- Audit Observation -----	----- Recommendation -----	----- Comments given by the Accounting Officer -----
(a) Although the liabilities amounted to Rs. 2,010,677 had been stated as per the submitted liability report, any liability had not been shown in the financial statements.	The Register of Liabilities should be properly corrected and the amount of liabilities should be stated in the financial statements.	It is informed that the liabilities will be reported in the CIGAS Programme and in the financial statements in future years.
(b) It had been entered in to liabilities amounted to Rs.1,543,275 exceeding the provisions of 10 Objects.	When entered in to liabilities, it should be concerned not to exceed the provision limits for the year.	Answers were not sent.

2.3 Utilization of Funds provided by other Ministries and Departments

----- Audit Observation -----	----- Recommendation -----	----- Comments given by the Accounting Officer -----
The provisions amounted to Rs. 2,214,967,537 had been provided to carry out construction projects by various Ministries and Departments in the year 2018 and a sum of Rs. 1,575,232,882 had been incurred and the provisions amounted to Rs. 639,734,655 had saved by the end of the year. It was 29 per cent of the total allocation.	When implementing construction projects by the Department, actions should be taken to complete the projects within the stipulated time as well.	The report on savings in relation to other Departmental Expenditure Heads is submitted herewith.

3. Operational Review

3.1 Delays in Execution of Projects

Audit Observation

There was no any performance obtained in 12 projects estimated at a cost of Rs. 57.86 million among the Turnkey Projects implemented by the Department and in addition to the performance in relation to 18 Turnkey Projects valued at Rs. 217.67 million had ranged from 4 per cent to 46 per cent.

Recommendation

Arrangements should be made to execute the projects in the proper period and to fulfill performance.

Comments given by the Accounting Officer

Due to the various reasons such as delays in approving of projects, lack of allocation and delays and suspension of projects it was impossible to achieve the performance.

3.2 Assets Management

Audit Observation

Even though two vehicles owned by the Department were unusable, actions had not been taken to dispose them.

Recommendation

Actions should be taken to dispose of unusable vehicles.

Comments given by the Accounting Officer

Arrangements are being made to use one vehicle and complete the disposal activities of the other one by 31.08.2019 .

3.3 Losses and Damages

Audit Observation

Although the year 2018 status of the loss which was shown as to be recovered by 2017 in

Recommendation

Details on losses or recoveries or write offs during the year

Comments given by the Accounting Officer

The amount of Rs. 388,167 has been recovered from insurance companies and

the Appropriation Account for the year 2017 amounted to Rs. 388,167 in relation to 04 vehicle accidents of the Department should be entered in to financial statement , it had not been so done and a loss of Rs. 112,992 had remained without recovery.

should be disclosed in the Financial statements.

relevant officials.

4. Sustainable Development Goals

Audit Observation

The Department had not taken actions to identify Sustainable Development Goals and Milestones to reach those Goals and Indicators for measuring reach on targets as well had not been identified until now in accordance with the Provisions of the Ministry of National Policy and Economic Affairs No. NP/SP /SDG / 17 dated 14 August 2017.

Recommendation

Actions should be taken to identify the relevant objectives, targets and indicators as per the Circular.

Comments given by the Accounting Officer

The report for measuring the Sustainable Development Goals is submitted herewith.

5. Human Resource Management

Audit Observation

i. The Department had not taken necessary actions to fill 128 vacancies.

ii. An employee of the Department was released

Recommendation

Actions should be taken to fill the vacancies promptly.

Employees should be properly released and

Comments given by the Accounting Officer

The recruitments were made to the Engineering Service on contract basis. It is expected to minimize the 128 vacancies remained as at 31.12.2018 by the end of this year.

On request of A.M.S.P. Aththanayake, who works in

to the Sri Lanka Army on 15 September 2011 and has been serving there until September 2019 and his salary totaled to Rs. 2,554,322 had been paid by the Department of Buildings .

actions should be taken to recall after the deadline. Arrangements should be made to reimburse the salaries paid.

this Department as a Public Management Assistant, he was released temporarily to the Sri Lanka Army from 15.09.2011 to 15.09.2016 with a formal approval of the Director General of Combined Services. Then necessary steps are being taken by now to extend the relevant period from 16.09.2016 to 14.09.2019 as per the requests made by the officer as well as the Sri Lanka Army.