

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 2021 comprising the statement of financial position as at 31 December 2021 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 2022 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 09 June 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 give a true and fair view of the financial position of the Department of Buildings as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 responsibilities for the financial statements are 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 Responsibilities of the Chief Accounting Officer and 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 accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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 in 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.

1.4 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, whether due to fraud or error and to issue an auditor's summary 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 Department’s 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.

1.5 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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-Revenue Receipts

Audit observation	Comment of the Accounting Officer	Recommendation
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(i) Although the value mentioned in ACA-6 should be mentioned under	The Treasury computer printout mentioned Rs. 8,267,837.39 though it is the correct net asset value in the	Property plant and equipment reserve values should be

net assets/equity as property plant and equipment reserves, it was recorded as Rs.810,991,575 and Rs.15,792,164 less.

final Treasury computer printout. (stamped) Net Asset Value Rs. An amount of 810,991,575 was recorded . It was due to an error in the computer program and was corrected. But ACA-P An omission in the form will result in recorded as Rs.810,991,575. Therefore Rs. 15,792,164 shows less amount.

accounted for in accordance with Public Accounts Guidelines 2021/03.

(ii) Under net assets/equity as net assets, the deposit account balance (ACA-4) minus the advance account balance (ACA-5A) should be stated as net assets to the treasury and the figure should be (1,273,419,810) but stated as (1,257,627,647) therefore a difference of 15,792,163 was observed.

As per (i) above, I inform that there has been a change in treasury net assets of Rs.15,792,163.

net assets should be accounted for in accordance with Public Accounts Guidelines 2021/03.

2. Financial review

2.1 Non-compliance with Laws, rules and regulations

The following are the instances of non-compliance with the provisions of Laws, rules and regulations observed during the sample audit.

Audit observation -----	Comment of the Accounting Officer -----	Recommendati on -----
Reference to Laws, rules and regulations -----	value Rs. -----	Non-compliance -----
Treasury Secretary No. MF/CG/ 02/(iv) and Asset Management Circular 01/2017 dated 28.06.2017	576,795,555	According to the circular, among the information to be sent to the Comptroller General under asset registration, information about non- financial assets other than vehicles and buildings was not submitted.
		As per Circular 01/2017 (111) (VII) Information about office equipment and furniture is being prepared. (IV) Instructions were given to provide information about construction in the near future.
		Proceed as per the circular .

3. Operational review -----

3.1 Leaving projects unfinished -----

Audit observation -----	Comment of the Accounting Officer -----	Recommendation -----
37 construction contracts worth more than 846 million rupees awarded to Buildings Department by the state and semi-state institutions in the last 4 years were stopped midway without completion.	The steps to be taken in cases where the progress of the construction work is not satisfactory as per the contract agreements have been carried out as per the relevant agreements. 09 contracts out of 45 contracts worth Rs.750 million that is, about 77 percent of the money is included in 09 contracts. About 10 out of 45 contracts have been completed and	Projects undertaken by the department must be completed otherwise the work of other government agencies cannot be carried out as planned.

However, it was observed that by stopping the construction contracts in the middle of this way, the responsibility assigned to the building department as a public institution cannot be released, and that the public sector will suffer setbacks by not performing these tasks properly, and the money used for those contracts has not received proper results.

handed over. 14 contracts have been canceled by the client agency due to the weaknesses of the contractors. Steps have been taken to outsource several contracts. Also, due to the epidemic situation in the country during this period and the price fluctuation, the projects have been delayed.

3.2 Management weaknesses

The following observations are made.

Audit observation

Comment of the Accounting Officer

Recommendation

(a) According to Finance Regulation 789, the general rule is that the Government Works Department (Building Department) is responsible for the execution of all Government works.

Answer not given.

Money should be dealt with according to Regulation 789 and according to the objectives of the institution .

In order to carry out the above-mentioned tasks and other construction tasks, the department has a staff of 79 engineers, 12 architects, 34 planners, 13 assistant quantity surveyors and 75 technical officers as of 31 December 2021, projects worth 1,012 million rupees. Only less than 50 percent efficiency was achieved.

(b) As of 31 December 2021, the assessed value of 37 buildings with a floor area of 6262.84 square meters included in the report on buildings sent to the Comptroller General as of 31 December 2021 was not mentioned , and the floor area of 02 Hanthane quarters and Katukele Estate office building in Kandy mentioned in that report was not mentioned . Therefore , the correctness of the value of the buildings owned by the institution was not confirmed.

The letter dated 05-13-04-01 and 2021.10.26 of the Director General of Buildings addressed to the Chief Valuation Officer has requested to appraise the land and buildings which have not been appraised so far. Also, the floor area of the two Hanthana quarters and the Katukele estate office building in Kandy will be measured in the future and the information will be recorded.

Urgent steps should be taken to assess the relevant buildings.

(c) In the updated report about the lands available to the department, out of 45 lands, only 12 lands have title deeds and the remaining 33 lands have no title deeds. Out of the 45 lands mentioned here, 19 lands (08 acres, 02 roods, 37.82 perches) The assessed value was not mentioned and even the size of the land in Arugambay was not mentioned. Accordingly, the accuracy of the land values mentioned in the fixed assets of the department was not confirmed.

Out of the 45 lands owned by this department, deeds have been obtained for 12 lands and further work is being done by contacting the respective regional secretaries and land commissioner generals to obtain the deeds related to the rest of the lands.

Necessary steps should be taken to obtain the relevant deeds and get the valuations.

Sri Lanka Surveying Department Ampara District Offices have informed that during the inspection of the said piece of land in order to hand over the title deed of the land at Arugambe belonging to this department to the building department, it was not possible to carry out the proper surveying work due to the fact that it is in a marshy and swampy condition. . Accordingly, as the

land is in a condition that cannot be used, requests have been made from the Pothuvil Regional Secretary to provide an alternative land for it.

(d) The land belonging to the official residence with the appraised value of Rs.10,550,000 near Diyathalawa Police has been assigned to the Badulla Divisional Secretary by the Chief Engineer (Kandy II), but as it is not being used by the Badulla Divisional Secretary, the property is returned to the department to maintain a district office. The Chief Engineer of Kandy informed the Director General of Buildings by letter No. 12-06-64 dated 11.04.2017 to be handed over. But in checking the related files, no information was found regarding this transfer.

The land near Diyathalawa Police belonging to the Building Department was handed over to Badulla Regional Secretary in 2014 . It has been informed that an alternative land will be given to us at the same time as this assignment is being made. Necessary arrangements were being made to take over the relevant alternative land.

Actions should be taken promptly and related settlements should be made.

(e) "Circuit bungalow maintenance, Additions and Improvements of Government Buildings" was mentioned as one of the main functions performed by the Buildings Department. However, the following deficiencies were observed regarding tourist bungalows which generate income for the department.

(i) Kataragama Circuit Bungalow

- The bathroom doors are wet and rotten and the inside of the bathroom is dirty.
- There are places where the walls are cracked and the bath rooms are cracked along with the tiles covering the walls.

Estimates are being prepared for taking relevant action.

Circuit bungalows should be properly maintained and provided basic facilities to the visitors.

(ii) Nuwara Eliya Circuit Bungalow

- There were cases where the water taps were broken in the bathrooms of the circuit bungalow and the hot water heaters in the bathrooms were not working properly and it was observed that there are places in the building that need to be renovated.

- Nicely arranged surroundings had not been done and the provision of necessary facilities to the visitors were poor.

Some parts are discolored and the circuit bungalow caretaker has been instructed to clean them until they can be painted.

Even though the estimates were submitted for all the years for the repair works, no allocations were received and the estimates are already being prepared for this year and I am waiting to carry out the repair works as soon as the allocations are made .

Instructions have been given to the circuit keeper to cut the surrounding environment and fence. I have kindly requested to provide assistance to the circuit keeper of the tourist bungalow for the proper maintenance of the circuit bungalow.

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(iii) Namunukula Circuit Bungalow 1 and 2

- The water taps in one room of Tourist Bungalow No. 1 were not functioning properly and the water collected in the bathrooms was not draining properly .

- The ceiling of the front roof was destroyed and decaying .

- The building behind the circuit bungalow was crumbling .

- There was no permanent circuit keeper for the circuit bungalow .

01. Regarding keeping section No. 02 clean, the circuit keeper has been informed by a letter dated 21.04.2022.

02. Estimates are being prepared for repairs during this year. The circuit keeper of the circuit bungalow has been informed about

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cleaning the surroundings.

03. Estimates are being prepared for repairs this year .

(iv) In Hantana Circuit Bungalow kitchen tiles are peeling , room 02 window is rotted and loose and insecure and water is seeping through the slab into the room.

01. Due to non-availability of provisions in previous years, repairs could not be carried out. Grants have been submitted for this year as well and I would like to inform you that the repairs can be carried out as soon as they are provided.

-do-

02. The concrete floor of the balcony is leaking water and to avoid that situation it was decided to put a roof on the balcony. The cost for that has been included in the above estimate, and I kindly inform you that the work can be completed as soon as the provision is made .

(v) Jaffna Circuit Bungalow

-The commode cistern was not working properly and the commode lid was broken. Rooms are tiled and finished to a very low standard.

- The equipment installed in the bathrooms is getting destroyed and the bathrooms are full of water due to the lack of proper drainage

Estimates for repairs have been prepared and submitted.

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system.

- There is a water leak in the water tank for a long time due to which a lot of water is wasted.

(vi) Tangalle Circuit Bungalow

- This circuit bungalow has not been given to tourists for a long time but two circuit keeper have been appointed. It has been answered that this tourist bungalow has not been reserved for guests in the past 02 years, but in the year 2019 the water charge was Rs.29,000 and the electricity charge was Rs.40,815 and in the year 2020 the water charge was Rs.107,375 and the electricity charge was Rs.155,489. In the year 2021, the water charge was Rs.97,088 and the electricity fee was Rs.144,956. Accordingly, compared to the year 2019, the water charge increased abnormally by 270 percent in the year 2020 and 234 percent in the year 2021 and the electricity charge by 280 percent in the year 2020 and 255 percent in the year 2021.

Inventory records are updated.

"Currently the Hambantota Regional Office is maintained in this building and the Bagu Ba Hiradiya belongs to the Matara Regional Office. The It is in this building. Therefore, for the security of the related goods , and for the proper maintenance of the building and guard duties, the services of the two circuit keepers who are already attached to the Tangalle tourist bungalow have been arranged for that.

corona epidemic situation in the last two years, the tourist bungalow was not reserved for visitors, and I would like to further inform that in the future , arrangements are being made to reserve the circuit bungalow for the guests."

The department should look into the huge increase in water and electricity costs.

(f) Although the brochure containing instructions to the residents states that in case of any loss or damage during the stay, the tourists staying in the circuit bungalows should pay the relevant fee and a fee for washing and cleaning the used pillowcases and bed sheets to the circuit keeper

In this regard, I would like to inform that a decision will be taken during the management committee meeting. Basic facilities are provided to the best of their ability based on

Circuit bungalows should be properly maintained and provided basic facilities to the visitors.

and obtain a receipt. No such receipt was issued by the circuit keeper of the bungalow. Instead, the visitors mentioned that they would be given a bill written on a paper. Also, in providing these circuit bungalows to government officials, the department should arrange to provide basic facilities as a fee of Rs.1,500 to 2,000 per room per day is charged .

available provisions.

3.3 Delays in Project Performance

Audit observation

Comment of the Accounting Officer

Recommendation

Progress of projects started in 2021

Project type	Number of projects initiated	Number of projects with no work done	Projects with less than 50 percent progress		
			Provisions Rs	Number of projects	Progress (percent)
Turnkey Projects	119	14	302.1	24	5-50
Consultancy Projects	68	07	528.1	09	5-47
Project Management Projects	28	01	171.89	06	10-50
Maintenance Projects	40	06	10.56	03	1-50

The acute epidemic situation in the year 2021, the delay in payment of contractors due to the country's economic recession, lack of construction materials, etc. were directly affected. Even under the

Work should be done to achieve proper performance.

above situation, the performance of the projects has been achieved according to the capacity of the building department.

4. Human Resource Management

The following observations are made.

Audit observation

Approved by December 31, 2021 , Actual and The details of the vacant staff are given below. For the year under review, 341 million rupees had been spent for the personnel expenditure category. Accordingly, the per capita expenditure was Rs. 687,441.

Type of employee	Approved number of employees	Actual number of employees		Number of vacancies
		permanent	contract	
Senior level	126	99	-	27
Tertiary level	24	07	01	17
Secondary level	285	250	-	35
Primary level	178	136	03	42
the sum of	613	492	04	121

Comment of the Accounting Officer

Senior level Engineering Services - 11 vacancies arranged to be filled. Meanwhile, other posts have been directed to the Ministry of Public Administration to fill the vacancies. Recruitment procedures for departmental posts have been sent for approval, written examinations have been conducted and further work is in progress.

Recommendation

To achieve the goals of the institution properly, the department should fill the vacancies.

The department had so far failed to fill the vacant posts .