

Report of the Auditor General on Head 123 of the Ministry of Constructions, Engineering Services, Housing and Common Amenities and Departments under that Ministry for the year- 2014

Paragraphs 1 and 2 of this Report contain the general information on the Accounts of the Ministry and the Departments under the Ministry and the Audit Observations on each Head appear in paragraph 3 onwards.

1. Department under the Ministry

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

1.1 Scope of Audit

The audit of the Appropriation Accounts, Commercial Advance Account, Stores Advance Accounts and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Ministry of Constructions, Engineering Services, Housing and Common Amenities and Departments under that Ministry appearing in paragraph 1 above for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Chief Accounting Officer and the Accounting Officers of the Ministry and the Departments on the undermentioned dates. The audit observations, comments and findings on the accounts and 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.

Head	Ministry/Department	The Date of Issue of the Management Audit Report
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123	Ministry of Constructions, Engineering Services, Housing and Common Amenities	20.07.2015
309	Buildings Department	08.07.2015
310	Government Factory	14.09.2015
311	Department of National Physical Planning	10.07.2015

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

The Chief Accounting Officer and the Accounting Officers are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, Commercial Advance Account, Stores Advance Accounts 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. Accounts

2.1 Appropriation Accounts

(a) Total Provision and Expenditure

The total net provision made for the Ministry and 03 Departments under the Ministry amounted to Rs. 5,310.09 million and out of that Rs3,964.25 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision had ranged between Rs. 2.07 million and Rs. 1,316.60 million or between 0.69 per cent to 28.37 per cent of the net provision. Details are shown below.

Head	As at 31 December 2014			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
123	4,639.80	3,323.20	1,316.60	28.38
309	298.61	296.54	2.07	0.69
310	208.63	186.37	22.26	10.67
311	163.05	158.14	4.91	3.01
Total	5,310.09	3,964.25	1,345.84	25.34

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. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
12301	7.00	6.85	4.00	7.65	40.00	23.65
30901	18.00	15.75	12.00	15.91	85.00	46.01
31001	22.00	21.98	18.00	19.47	120.00	85.68
31101	11.00	10.11	6.80	8.11	90.00	32.37

2.2.2 Commercial Advance Accounts

Two Commercial Advance Accounts had been maintained by a Department under the Ministry.

(a) Limits Authorized by the Parliament

Limits authorized by the Parliament on a Department under the Ministry relating to two Commercial Advance Accounts and actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance		Liabilities	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Maximum Limit	Actual
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
31003	450.00	441.36	290.00	478.98	180.00	104.31	5.00	0.88
31002	170.00	144.05	120.00	188.95	40.00	33.20	20.00	23.37

(b) Financial Results

Two Commercial Advance Accounts called Stores Advance Account and Work Done Advance Account are maintained by the Government Factory and the deficit or surplus of the Stores Advance Account as at the end of the year is transferred to the Work Done Advance Account. The financial results of the Commercial Advance Account for the year under review and the preceding year were as follows.

Item No.	Advance Account Activity	Financial Results			
		2014		2013	
		Profit/(loss) without Hypothetical Charges	Profit/(loss) with Hypothetical Charges	Profit/(loss) without Hypothetical Charges	Profit/(loss) with Hypothetical Charges
		Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
31002	Stores Advance Account	3.15	3.04	36.47	36.36
31003	Work done Advance Account	5.10	4.90	25.44	25.24

2.3 Imprest Accounts

The total of the balances of Imprest Accounts of two Departments under the Ministry as at 31 December 2014 was Rs.20.59 million. Details are given below.

Department	Imprest Account No.	Balance as at 31 December 2014
		Rs.Millions
Buildings Department	7002/0000/000/0067/0014	9.97
Government Factory	7002/0000/000/0043/0014	10.62
Total		20.59

2.4 General Deposits Accounts

The total of Deposits Accounts of the Ministry and three Departments under the Ministry as at 31 December 2014 was Rs.684.33 million. Details are shown below.

Ministry/Department	Deposit Account No.	Balance as at 31 December 2014
		Rs.Millions
Ministry of Constructions, Engineering Services, Housing and Common Amenities	6000/0000/0015/0079/000	0.51
Buildings Department	6000/0000/00/0015/0163/000	99.78
	6000/0000/00/0015/0176/000	579.11
Government Factory	6000/0000/00/0015/0164/000	4.20

Department of National Physical Planning	6000/0000/00/0015/0165/000	0.73
Total		684.33

2.5 Audit Observations

According to the Financial Records and Books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the Management Audit Reports referred to in paragraph 1.1, the Appropriation Accounts, Commercial Advance Accounts, Stores Advance Accounts, and the Reconciliation Statements of the Ministry of Constructions, Engineering Services, Housing and Common Amenities and the Departments have been prepared satisfactorily. The material and important observations out of the observations included in those Management Audit Reports appear in paragraph 3 to 6 herein.

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

3.1 Appropriation Account

Budgetary Variance

Due to excessive provision of Rs. 1,196,857,870 had been made for 10 Objects, balance after the utilization of provisions had ranged between 10 per cent and 94 per cent of the relevant net provisions.

3.2 Reconciliation Statement relating to the Advances to Public Officers Account

According to the audit test check carried out on the reconciliation statement as at 31 December 2014 relating to Advances to Public Officer Account – Item No. 12301, the total of the balances that remained outstanding over a period from 01 to 03 years as at that date amounted to Rs.500,310. The Ministry had failed to recover those outstanding balances even by 31 December 2014.

3.3 Good Governance and Accountability.

3.3.1 Internal Audit

Although an Internal Audit Unit had been established, an adequate internal audit had not been carried out for the year under review.

3.4 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2014 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	03	--
(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

4. Head 309- Buildings Department

4.1 Non-maintenance of Registers and Books

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

Type of Register	Relevant Regulation	Observations
Register of Liabilities	Financial Regulation 214	Not maintained
Register of Fixed Assets	Treasury Circular No.842 dated 19 December 1978	Not updated
Register of Fixed Assets on Computer, Accessories and Software.	Treasury Circular No. IAI/2002/02 dated 28 November 2002.	Not updated

4.2 Incurring Commitments Exceeding the Provisions

Although savings after the utilization of net provisions made for 06 Objects was Rs.47,957, commitments amounting to Rs.1,521,992 had been incurred exceeding that savings by Rs.1,474,035 contrary to the Financial Regulation 94 (1).

4.3 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account Item No. 30901.

- (a) According to the reconciliation statement presented to audit, the Department had failed to recover the loan balances totalling Rs.1,810,088 continued to exist for a period from 01 to 09 years.
- (b) Action had not been taken for the recovery of loan balances of Rs.367,002 and Rs.37,160 due from an officer and an employee who left the service on 23 December 2005 and 07 June 2013 respectively or from the responsible party even by June 2015.
- (c) The Department had failed to settle the loan balances of Rs.238,330 due from an officer retired on 17 March 2012 even by the end of the year under review.

4.4 Performance

Planning

Observations on the progress of the Department in terms of the Annual Budget Estimate and the Annual Action Plan for the year 2014 are as follows.

- (a) Even though it had been planned to complete 10 projects totalling Rs.8,598.72 million during the year under review, no project whatsoever had been implemented even by the end of the year under review.
- (b) Although a sum totalling Rs.2,643.56 million had been spent for 51 projects over five million implemented during the year under review, those projects had not been included in the Action Plan.

4.5 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2014 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior Level	116	76	40
(ii)	Tertiary Level	23	07	16
(iii)	Secondary Level	273	176	97
(iv)	Preliminary Level	177	138	39
	Total	589	397	192

Although there were 192 staff vacancies of the Department by the end of the year under review, it had not affected the performance of the Department.

5. Head 310- Government Factory

5.1 Appropriation Account

5.1.1 Budgetary Variance

Due to excessive provision totalling Rs.21,372,774 had been made for 7 Objects, balance after the utilization of provisions had ranged between 16 per cent and 50 per cent of the relevant net provisions.

5.1.2 Incurring Commitments Exceeding the Provisions

Although savings after the utilization of provisions made for 03 Objects contrary to the Financial Regulation 94 (1) was Rs.42,164, commitments amounting to Rs.790,890 had been incurred exceeding that savings by Rs.748,726 contrary to the Financial Regulation 94 (1).

5.3 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 05 deposits totalling Rs.690,054 older than 2 years.

5.4 Reconciliation Statement on the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2014 relating to the Advances to Public Officers Account Item No. 31001.

(a) The total of the balances that remained outstanding as at 31 December 2014 was Rs.3,308,264 and of which a sum of Rs.1,905,405 had been brought forward for a period ranging from 01 to 03 years while a sum of Rs.1,402,859 had continued to exist for more than a period of 03 years. Nevertheless, the follow up action regarding the recovery of those outstanding loan balances had been at a weak level.

(b) The file pertaining to a loan balances of Rs.15,850 of an officer had not been furnished to audit.

5.5 Good Governance and Accountability

5.5.1 Annual Action Plan

In terms of Public Finance Circular No.01/2014 dated 17 February 2014, the Department should prepare an Annual Action Plan, whereas the Department had not prepared such Action Plan.

5.5.2 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. Further, transactions as well as activities of the Department had not been examined at least by the Internal Audit Section of the Ministry.

5.6 Assets Management

5.6.1 Idle and Under-utilized Assets.

It was observed that out of the land of 15 Acres in which the Kolonnawa Government Factory is situated, a block of land of 01 Roods and 16 Perches in extent has been occupying by unauthorized occupants for more than a period of 50 years.

5.7 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2014 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	21	16	05
(ii) Tertiary Level	07	05	02
(iii) Secondary Level	157	126	31
(iv) Preliminary Level	434	351	83
Total	619	498	121

6. Head 311- Department of National Physical Planning

6.1 Non-maintenance of Registers and Books

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

6.2 Appropriation Account

Budgetary Variance

Due to excessive provision totalling Rs.3,087,918 had been made for 13 Objects, balance after the utilization of provisions had ranged between 10 per cent and 100 per cent of the relevant net provisions.

6.3 Reconciliation Statement relating to Advances to Public Officers Account

According to the reconciliation statement relating to Item No. 31101- Advances to Public Officers Account as at 31 December 2014, the Department had failed to recover the outstanding balances of Rs.514,073 older than 05 years out of the total balances of Rs.2,735,174 that remained outstanding as at that date.

6.4 Good Governance and Accountability.

Internal Audit

An Internal Auditor had not been appointed to the Department and the audit of the Department had not been carried out at least by the Internal Audit Section of the Ministry.

6.5 Performance

The Department of Town and Country Planning established under the Town and Country Planning Ordinance No.13 of 1946 had been converted as the Department of National Physical Planning in terms of Town and Country Planning (Amendment) Act, No.49 of 2000. The functions of this Department had only been limited to the preparation of plans even by the end of the year under review. The implementation and the regulation of those plans had not been carried out and as such the objective of the establishment of this Department had not been adequately achieved.

6.6 Human Resources Management

Approved and Actual Cadre

Cadre position as at 31 December 2014 was as follows.

	Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	40	10	30
(ii)	Tertiary Level	07	02	05
(iii)	Secondary Level	141	77	64
(iv)	Preliminary Level	225	202	23
	Total	413	291	122
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