

Report of the Auditor General on Head 123- Ministry of Housing and Construction- Year 2016

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 123 Ministry of Housing and Construction for the year ended 31 December 2016 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 24 July 2017. 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.

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 Account and the Reconciliation Statements in accordance with the provisions in Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, and Public Finance and Administrative Regulations. The responsibility includes, designing, implementing, maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Ministry amounted to Rs.7,803.08 million and out of that Rs.7,732.44 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision made for the Ministry had been Rs.70.64 million or 0.9 per cent. Details appear below.

Expenditure	As at 31 December 2016			Savings as a percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,208.33	1,176.31	32.02	2.6
Capital	6,594.75	6,556.13	38.62	0.6
Total	7,803.08	7,732.44	70.64	0.9

2.2 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
12.00	9.80	4.00	5.78	75.00	26.42

2.3 General Deposit Account

The balance of Rs.0.17 million existed in the Deposit Account bearing No.6000/0000/00/0013/0071/000 under the Ministry as at 31 December 2016.

2.4 Audit Observation

The Appropriation Account and Reconciliation Statements of the Ministry of Housing and Construction for the year ended 31 December 2016 had been prepared satisfactorily subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in that Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 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	Observations
Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002	Not maintained.
Register of Losses and Damages	Financial Regulation 110	Not maintained.
Register of Liabilities	Financial Regulation 214	Not updated.

3.2 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	Value	Non- compliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Rs.	
Financial Regulation 94	1,471,160	Had been committed to liabilities exceeding the provision money in 08 Expenditure Objects.

**(b) National Budget
Circulars**

Paragraph 02 of the
Circular No.7/2015 dated
29 December 2015

1,718,087

Compulsory savings had not
been made as per the Circular.

3.3 Implementation of Projects under Domestic Financing

Instances of project delays revealed during the course of audit test checks are given below.

Project	Estimated Cost	Date of Commencement	Date Scheduled to be completed	Expenditure by 31 December 2016	Physical Progress	Reasons for the Delay
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	Rs. Millions			Rs. Millions	%	
Model Villages Programme	1,125	16.01.2016	31.12.2016	1,079	6	Taking up more time for the preliminary activities such as identifying suitable lands, survey activities and obtaining the relevant approvals.
Welioya Resettlement Housing Project	350	February 2016	15.12.2016	311	4	Taking up more time for preliminary activities.
Scattered Housing Programme	3,704.05	30.01.2016	25.12.2016	3,785	69	Taking up more time for the selection of beneficiaries.

Reconstruction of old Housing Schemes	240	01.01.2016	30.12.2016	240	33	Taking up more time for the handing over to the new contractors by cancelling the contracts.
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3.4 Performance

The observations on the progress of the Ministry according to the Annual Budget Estimate 2016 and the Action Plan appear below.

(a) Activities contrary to the Annual Action Plan

It was observed that the following projects had not been included into the Action Plan.

- (i) Kirulapane Nugagahapura Project
- (ii) Middle Income Housing and Infrastructure Development Project

3.5 Human Resources Management

Approved Cadre and Actual Cadre

The position on the cadre as at 31 December 2016 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	27	20	07
(ii) Tertiary Level	04	02	02
(iii) Secondary Level	109	86	23
(iv) Primary Level	53	47	06
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Total	193	155	38
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The following observation is made.

Thirty- eight vacancies remain and necessary sufficient action had not been taken to fill these vacancies. Instead, 27 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 Authority and Urban Settlement Development Authority had been deployed for the duties of the Ministry from time to time within the period from December 2007 to December 2016.