

# Fulfillment and Utilization of Building Requirements for the Government Institutions



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**National Audit Office**





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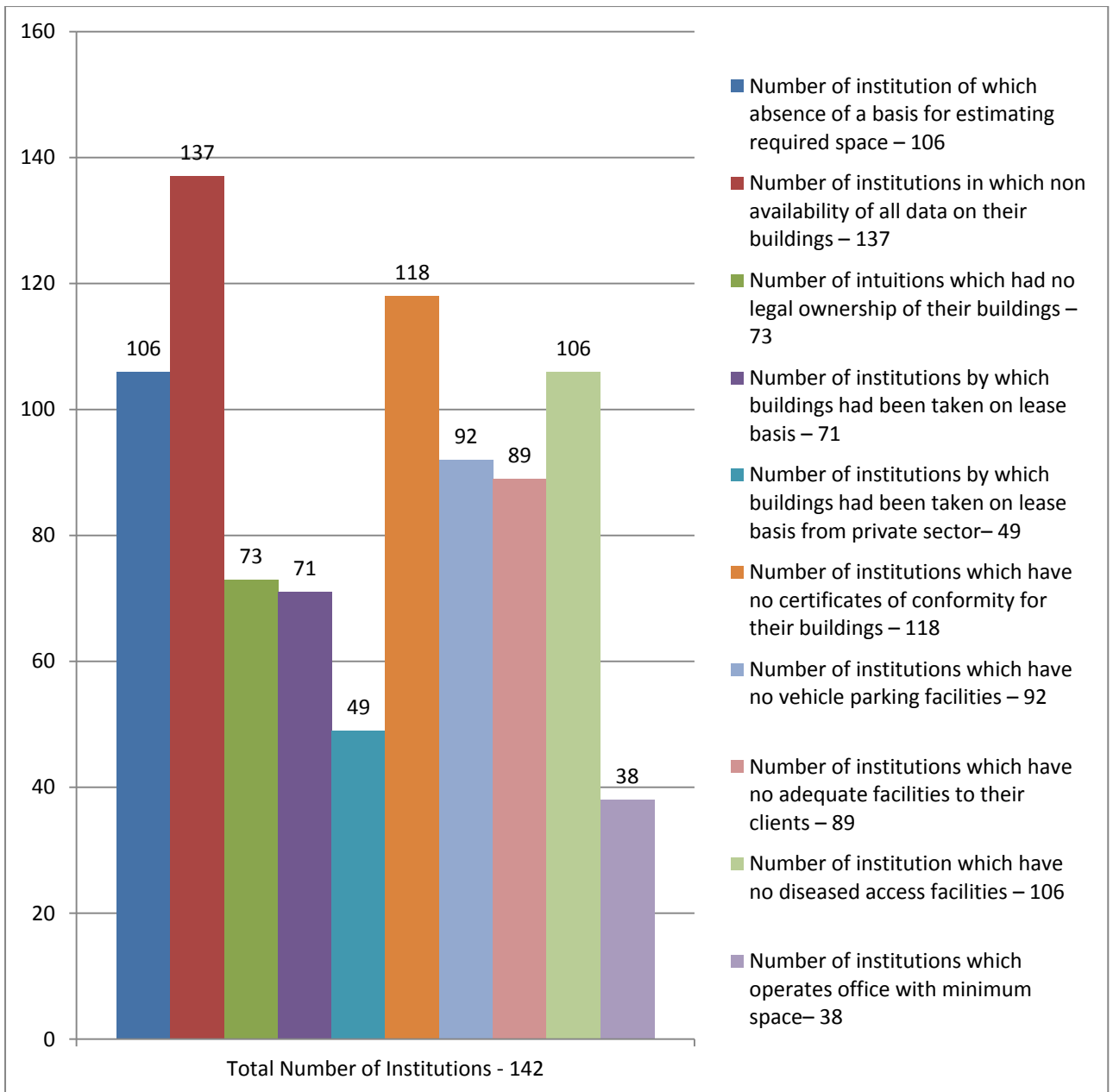


## **01. Executive Summary**

For the fulfillment of buildings requirements needed for the maintenance of public institutions, buildings belong to the Government as well as buildings taken on rent or lease basis are used. The Government endures a large amount of money for the construction and maintenance of such buildings and for the payment rents to buildings taken on rent basis. Accordingly, the requirement of utilization of state buildings economically, efficiently and effectively is arisen.

Even though the Government annually incurred materially extensive expenditure on the construction and acquisition of such buildings the existence of such issues comprising the insufficient accommodation facilities available in the buildings belong to Government and availability of excess space but they are not at a suitable level, non-maintenance of a centralized data system requires in the management of state buildings and the existence of assessment problems, had caused to choose this audit. Except the buildings of the special expenditure units, Government school buildings, official quarters, hospital buildings, buildings maintained in foreign missions and foreign countries, and buildings belong to state banks, the utilization buildings belong to the Central Government had been considered in this audit. Information on the assessment of buildings from the Department of Valuation and information from the Comptroller General's Office of its performance had been obtained in this audit.

According to the budget estimates a total capital provision of Rs.720 billion had been made during the period from 2016 to 2020 for the purchase of buildings, purchase of lands, construction of buildings and rehabilitation and improvement of buildings out of which only a sum of Rs.482 billion or 67 per cent had been spent and it ranged from 14 per cent to 16 per cent from the total government capital expenditure during that period. Nevertheless it was observed that state building requirement was not utilized at a maximum performance. According to the information obtained on 1,166 building usage of 142 State institutions as at 31<sup>st</sup> march 2021, including Ministries, Departments, Corporations, Statutory Boards, Universities, State Companies and Projects, main issues revealed in the performance of public sector building utilization are explained in the following graph with related data.



Moreover, since the building requirement is not appropriately recognized in building purchasing and leasing, it was observed that their buildings are not efficiently economically and effectively utilized in a manner, achieving the objectives of the entity and the use of buildings belong to the entity are not timely reviewed. There were no accepted standards for the allocation of space in the management of accommodation facilities and there was no state policy thereon as well.

In renting buildings for the government purposes on leasing basis, payments of lease rental without being valued by the Valuation Department and payment of excessive rent by ignoring the government valuation were observed. In the valuation of government buildings the documents required thereon are not correctly presented to the Government Valuer and as such the state lands and buildings are not properly assessed and due to delays in the Department of Valuation, government buildings are not accounted at the correct value. These matters are also considered in the preparation of this report. Even though the construction of buildings have been commenced with the objective of achieving accommodation requirements of public institutions, certain lapses observed in audit include non – availability of required provisions, weaknesses in construction works, decision to halt constructions half way, delays in construction works, change of buildings plan from time to time on the requirement of the institutions, changes in cost estimates etc..

Similarly it is the main task of the Comptroller General's Office that the maintenance of a complete centralized information system on non – financial assets provision and execution of accepted policies on the management of government non – financial assets, ensuring the efficient usage. However, an abnormal delay's in the creation of such a centralized data system and it does not supervise the use and management of state buildings were typically observed formulation of a National Policy on state buildings, expedite the establishment of the centralized information system of the Comptroller General's Office maintenance of information and data in respect of buildings belong to all state institutions and periodically survey the shortages and excesses of space of their buildings have been recommended by the audit. Moreover, it is also suggested such recommendations as in the construction, purchase or leasing of a building having being determined the required extent of space by proper forecasting of the purpose for which such building is used, the staff employed therein, the nature of equipment used and future requirement, setting guidelines to identify the actual requirement of buildings appropriately and introduction of standards for space utilization.

## **02. Introduction**

### **2.1 Background**

State institutions are expanded as Ministries, Departments, Local Authorities Corporations, Boards and Government Companies and the State Institutions are also maintained in their own buildings as well as and buildings obtain from external parties. A huge capital expenditure is incurred for the construction of state buildings and a large amount of recurrent expenditure is incurred as rent or lease rent annually in using buildings belong to the external parties. If the state buildings are not utilized at an optimum level the capital and recurrent expenditure so incurred is not effective and as such having being recognized the lapses in the utilization of state buildings prevention or minimization of such lapses are very important.

The responsibility of the utilization of state building at an optimum level rests with the institute by which that building is used. Construction of such buildings in a manner that achieves the objective of the institute is a factor effects on the optimum utilization of state buildings. Moreover the propriety and sufficiency of the building for achieving the performance of the institute and beneficial to the users of the building are directly affected to the optimum utilization.

#### **(a) Effect on the legal background for the construction of state buildings**

In planning and constructing buildings for the performance of public institutions the Urban Development Authority Act No. 41 of 1978 of the National State Assembly, planning and development orders/ regulations of the Urban Development Authority (amendment) Act No. 4 of 1982 and planning and development orders / regulations of 2021 Urban Development Authority No. 2235/54 of 08 July 2021 need to be complied with. Under compliance with “Development activities permission” etc. by its part two 8A, certificate of conformity can be obtained from the Authority stating that any development task had been carried out in compliance with the permission issued for development purpose.



Similarly the provisions in the Lanka Land Reclamation and Development Corporation Act No. 15 of 1968 and regulations in the National Environment Act No. 47 of 1980 are also considered in issuing the permission for development purposes. These regulations are changed in terms of the Local Authority in which relevant construction works are carried out as well.

**(b) Designing the Building**

It is essential that buildings need to be designed in order to make an office premises beneficial to the officers work in the institution as the users of the building as well as to the clients and in a manner to reach a maximum effectiveness of the institutional functions. By paying more attention on the construction works with health protection ecofriendly adequate access facilities to physically handicapped, sufficient space, service convenience and other infrastructure facilities, buildings need to be designed so as to ensure the optimum utilization.

In order to establish the optimum utilization architectural theories and standards are important in the correct designing of the building and the building needs to be constructed in terms of section 44 of part 111 of the planning and development orders / regulations of the Urban Development Authority No. 2235/54 of 08 July 2021 Under the Urban Development Authority Act No. 41 of 1978.

**(c) Assessment of state buildings**

Having being assessed state buildings, values can be included in the financial accounts and by determining the correct values rented buildings taken on lease basis, their performance and appropriate financial reporting can be maintained at a top level. In the assessment of buildings valuation reports need to be taken from the Valuation Department which is the Government accepted institution. The existence of oversights, deficiencies and discrepancies in the valuations carry out by the Valuation Department is an immoral fact directly effects for the efficient maintenance of buildings and reporting. According to the assessed values of buildings used by Government Institutions the accounting value of assets needs to be obtained. In this regard, values of assets have to be

assessed by following valuation methods. Accordingly assets should be assessed in terms of Assets Management Circular No. 04/2018 of 31 December 2018, with effect from 01 January 2019.

**(d) Buildings taken on rent or lease from private parties**

When state buildings are insufficient for the fulfillment of institutional functions buildings are taken from external parties on rent or lease basis. That party may be a Government Institution or a private party. The lessee needs to be selected by following government procurement procedure and the relevant rent or lease installment is determined, based on a reasonable valuation.

## **2.2 Related Institutions**

**(a) Functions of the comptroller General on the maintenance of state buildings**

In terms of Assets Management Circular No. 01/2017 of 28 June 2017 of the Ministry of Finance and Mass Media the Comptroller General's office has been established on 07 March 2017 under the Ministry of Finance for the non-financial assets management of the Government. The supervision on the management of government assets on costs is the main function of the Comptroller General's Office.

**Vision**

Being the most world accepted level institute for the management of non-financial assets of the public sector

**Mission**

Maintaining an updated comprehensive central database for all Non Financial Assets of the Government, formulation and implementation of reliable policies for Non Financial Assets Management of the Government ensuring effective and efficient use of these assets to strengthen the development framework of the Government

## **Functions and responsibilities**

- i) Oversee the assets, material and cost management of the Government
- ii) Supervision of the management of government non financial assets through formulating regulations, collecting data and creating a centralized information system.
- iii) Utilization of government assets effectively efficiently and economically in order to eradicate mismanagement and wastage.
- iv) Improvement of collection of due revenue from non-financial assets belonging to the Government
- v) Provide necessary guidance for the acquisition, maintenance and disposal of government assets.
- vi) To play the leadership and custodianship role in the management of non-financial assets belonging to the Government.
- vii) Perform the task as the information center on government assets.

## **(b) Other institutions and their functions**

	<b>Institution</b>	<b>Function in brief</b>
(i)	Urban Development Authority	Issue of building regulations and the issue of certificate of conformity to buildings.
(ii)	Departments of Buildings	Constriction of government buildings Architectural compositions.
(iii)	Construction Industries Development Authority	Compilation of a national policy on constructions.
(iv)	Department of National Budget	Estimating and making provisions for the utilization of state buildings.
(v)	Department of National Planning	Allocation of public

- |  |  |
|--|--|
|  | investments on building construction projects  |
| (vi) Department of Project Management and Monitoring | Supervision of state building construction projects more than Rs.01 billion  |
| (vii) Department of Valuation                        | Valuation of movable and immovable properties for various purposes in the Government and Semi government institutions. |

### 2.3 Audit Approach

Since formal specifications and standards are not used in estimating and planning the extent of space required for the existing buildings space usage and buildings, the building requirement of public institutions could not be recognized appropriately and it affects the optimum building utilization of the state. The following issues affected the optimum utilization of buildings had approached this audit.

- (a) Non-availability of a national policy on the construction of public sector buildings
- (b) Existence of a lot of instances where capital expenditure incurred by the Government becomes unproductive, since the new constructions carry out by spending excessive expenditure are not appropriate for the requirement of the institute.
- (c) Existence of shortages and excesses in the space of buildings used for the performance of the government.
- (d) Non-maintenance of a centralized information system requires for the optimum state building management.
- (e) Problems in the ownership of buildings.
- (f) Unavailability of a proper maintenance.
- (g) Having being properly assessed the state buildings, not accounted properly

## 2.4 Scope of Audit

- (a) Our performance audit is carried in accordance with guidelines issued by the International Organization of Supreme Audit Institutions (INTOSAI), provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka and provisions in the National Audit Act No 19 of 2018.in order to attain a conclusion on the observations of our performance audit and its recommendations how far the stated objectives are achieved and as the basis for the determination of what are the related risk areas for reaching such objectives we obtain an understanding of the institutions, their operating functions and systems of internal control.
- (b) Our function have been pre-planned and linked with the audit plan. The extent of our performance audit has been Limited on the availability of time for the audit and to update the scope of audit and human resources.
- (c) Our audit had been limited to central government office buildings, on the limited staff and other resources and the time allowed.
- (d) Even though obtaining the particulars of buildings of all public institutions maintained under the central government was expected in this audit, the scope of audit did not include the buildings utilization of school buildings official quarters hospital buildings used for medical treatments, buildings of foreign missions, buildings belong to state banks operated in foreign countries and buildings used by special expenditure units.
- (e) Performance of the functions of the comptroller General's office, established for the fulfillment of exclusive functions in the management of non-financial assets of state institutions and the performance of the department of state accounts and the department of valuation in this regard had been taken into consideration in this performance audit.
- (f) Audit observations had been built up in accordance with information of 142 institutions rendered to audit up to 31 March 2021 as replies to the specific from sent to them by audit. A summary thereon is given below. (Annex – 01)

## Type of public institutions

Type of public institutions	Number of institutions	Number of building uses
Ministries	27	186
Departments	29	294
Corporations	23	420
Statutory bodies	31	153
Universities	10	22
State companies	10	73
Projects	12	18
<b>Total</b>	<b>142</b>	<b>1166</b>

### 2.5 Limitations on Scope

The building utilization of Ministries Departments, Corporations, Boards including Statutory Bodies and Projects belong to the Central Government is based on details provided to audit by those institutions. But there was no opportunity to do the physical verification on the accuracy of such details due to Covid – 19 pandemic. Certain replies provided were indescribable. When specific information was not made available on the matter such as parking facilities in building premises facilities to clients, access facilities to physically handicapped level ownership assessment of lease rental issues in certificates of conformity etc. we considered as no sufficient information was made available furthermore according to the information obtained even though the ownership of state buildings were presented problems on land ownership had not been checked in depth.

### 2.6 Audit Methodologies

- (a) Since the existence of a considerable number of institutions under Ministries and a considerable number of buildings utilized for the performance of their functions action has been taken to gather data on the utilization of buildings of all institutions come under Ministries, having being sent a questionnaire including basic matters required for the utilization of buildings of all

Ministries. Observations on the accuracy of the information of certain institutions thereof were based on the information confirmed by audit branches by which the financial audits are carried out in such institutions.

- (b) Moreover since this information was called for before the changes of Ministries and their portfolios by Extraordinary Gazette Notification No. 2187/27 of 09 August 2020, positions existed before the changes of Ministries had been subjected to audit.
- (c) Since a specific method of allocating office accommodation among officers was not in existence, the minimum space per person of 100 sq.ft and the maximum space per person of 200 sq.ft had been considered as the average space for one officer required serving efficiently within the office and for the allocation of the common use.

## 2.7 Audit Objectives and Criteria

### Audit Objective

Since the Government endures a considerable expenditure in respect of the existing building use for the maintenance of state institutions construction of required buildings taken on rent and the optimum utilization of the whole buildings evaluation whether they have been used at optimum level for the process of achieving the relevant institutional objectives.

Ancillary Objective	Criteria	Source
(a) Evaluate whether the Government institutions taken action to identify their building requirement appropriately	- Financial Regulation 3 – Preliminary assessment for the construction of buildings	Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka
	-Financial Regulation 4 – Total cost estimate	
	-Financial Regulation 12 – Rehabilitation and Improvement of	

	requirement	
(b) Fulfillment of requirements for the effective utilization of buildings of the state institutions.	- Assessment of lands and buildings of the state institutions under the accounting programme of government lands and buildings assets.	Circular No. GFS/02 dated 24.07.2013 of the Department of State Accounts.
Eg. Proprietary, maintenance, assessment accounting and earning income	- Requirement of accounting at cost or assessed value being recognized non-financial assets appropriately.	Circular No. 271/2019 dated 03.12.2019 of the Department of State Accounts.
	- Process of setting a centralized data system	Assets Management Circular No. 4/2018 dated 31.12.2018
	- Section (f) under the main functions of the Department of Valuation. Requirement of the valuation of moveable and immovable properties for various purposes of the Government and Semi-government institutions.	Performance report of the Department of Valuation - 2019
	- Availability of sanitary and handicapped access roads including slating access roads.	Extra-Ordinary Gazette Notification No 15/1467 dated 17 October 2006
	- In taking a building on rent it should be assessed by the Government Valuation Department	Financial Regulation 835 (2) (c)



(c) Evaluate whether the construction of buildings for Government entities are performed economically efficiently and effectively.

- The applicable level of the government building construction policies of other countries.

Indian government buildings Act of 1899  
www.indiacode.nic.in/handle/123456789/2332? View type = search & sam handle = 123456789/1362  
Construction Policies of Canadian Government Offices.  
<https://www.tpsge.pwgse.gc.ca/biens-property/mt-wp/mt-wp-eng.html>

Planning and development of energy productive buildings and structures in terms of section 12 (d)

Sections 12 (d), (f), 13 (d), (e) and 18 (1) of the construction industries Development Authority Act No 33 of 2014

Setting standards of construction industry being inquired from other authorities in terms of section 12 (f)

Appointment of committees by the authority to setting standards, rules and directions in the construction industry in terms of section 18 (1)

Promotion of best practices relating to the construction

	industry in terms of section 13 (d) Being inquired from other relevant institution, standards of raw-materials and technology including construction works in terms of section 13 (e) Certificate of conformity	Building regulation in the Urban Development Authority Act No 41 of 1978 (Including green concept)
(d)	Evaluation whether the use of buildings of state institutions efficiently and effectively	Reaching correct decisions for the use of government buildings economically efficiently and effectively
	Standards used for the allocation of office accommodation in buildings. (standards of the allocation of offices buildings space in Canadian Government)	Office construction policies in the Canadian Government <a href="https://www.tpsgc-pegsc.gc.ca/biens-property/mt-wplmt-wp-eng.html">https://www.tpsgc-pegsc.gc.ca/biens-property/mt-wplmt-wp-eng.html</a>
(e)	Evaluation of optimum property management of state buildings	Vision and mission of the Comptroller General's Office. Performance report of the Comptroller General's Office – 2019

Coordinating with the ITMIS project for framing online centralized data system for non-financial assets Central Government Institutions

Action plans of the Comptroller General's Office 2020

Principal objective of non-financial assets management, conform to a systematic process for the improvement operation, maintenance and disposal of non-financial assets of the Government in a cost effective manner.

Assets Management Circular No. 01/2017 dated 28.06.2017 of the Ministry of Finance and Mass Media

## **2.8 Authority for Audit**

This performance audit 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 and section 3(1)(d), 5(2) and 12 (h) of the National Audit Act No 19 of 2018.

### **03. Detailed Audit Findings**

#### **3.1 Action to Identify the Buildings Requirement Appropriately**

In the construction purchase or lease rent of a building the requirement of the building needs to be recognized appropriately. In making decisions on building requirement the function of the entity is directly affected. As a result of using buildings mismatched with the function of the institute the problems such as underutilization insufficient accommodation inefficiency economic unproductive etc. had arisen.

##### **3.1.1 Basis of Estimating the Extent of Required Space for Buildings.**

The extent of space of a building is determined in terms of objective the government building is used nature of its function number of staff engage therein and the nature of equipment to be used. Towards the achievement of objective of a public entity its functions are carried out through its branches and sub-divisions and it is the normal procedure that such divisions are located in the relevant building. In this connection a specific standards to determine the required space to perform the functions by such divisions at a maximum efficiently and effectively had not been framed. Details appear below.

##### **(a) Specific standard to be used for the allocation of space in state buildings**

Since an accepted specific standard had not been introduced for estimating and determining the building requirement for operating state Institutions, room is open to tempt allocation and utilization of building space in accordance with variant methods. Provisions therefor and the examples of audit observations thereon are as follows.

- i. In terms of section 12 (d) of the construction Industries Authority, established construction Industries Development Act No 33 of 2014, by paying special attention on designing and developing power and energy generated building structures as its aims, promotion of sustainable development in the construction industry and in terms of section 12 (f) setting standards of construction industry being inquired from other authorities and such standards

are classified as compulsory standards and voluntary standards. As stated in section 18 (1) the following committees need to be appointed by the Authority being inquired from relevant authorities for the formulation of standards rules and regulations in the construction industry.

- Committee on technological standards rules and regulations
- Committee on environment and public health standards.
- Committee on ethics and social responsibility standards.

Among the functions of the Authority, state in the construction Industries Development Act, in terms of section 13(d) , promotion of best practices relating to the construction industry and maintenance of standards, of construction works, including raw-material used for the construction works and technology in terms of section 13 (e) having being inquired from other relevant institutions have been imposed of the aims and functions stated in the Act, regulations in respect of “formation of standards on constructions” as stated above under aims and functions are available but a specific standard for the allocation of space within the buildings had not been stated.

- ii. By building regulations issued by the extra-ordinary gazette notification No. 2235/54 of 08 July 2021 of the Urban Development Authority. Specific standards to be used for the allocation of space for building users had not been presented in designing and construction of such buildings in terms of the nature of use of public buildings.

**(b) Identification of basis for estimates space in state buildings**

In fulfilling building requirement of all institutions, estimation of required space for buildings on an accepted basis is a best practice. Accordingly, in the construction, purchase or taking on rent of a building for the requirement of the entity, selection of a certain basis for the determination of the building space is need by the head of the institution himself. However, building planning's had been changed without such a basis from time to time. The following observations are made in that connection.

- i) According to the information made available to audit, 106 entities out of 142 that is 74 percent had not presented a basis of estimating the required space in using buildings.
- ii) Even though with the introduction of specific standards to be used for the allocation of office accommodation in government buildings inefficiencies and uneconomic in the use of buildings can be minimized the attention of the ministry of finance by which the approval and necessary provision are given in the construction purchase and leasing of buildings by a government entity, had not been drawn in this regard.
- iii) In terms of financial regulation 12 nature of rehabilitation or improvement and the need for rehabilitation or improvement should be fully explained. In terms of Financial Regulation 3 identification and preliminary appraisal for planning constructions are its main stages

Even though the headquarters building had been constructed for the use of Road Development Authority situated in Densil Kobbekaduwa Road, 252,055 sq.ft in extent incurring a cost of Rs. 2,664.05 million, a sum of Rs. 27.27 million for 12,272 sq. ft in the year 2019 and Rs. 11.49 million for 8290 sq. ft in the year 2020 had been paid for the maintenance of sub offices belong to this authority, in the stage 1 and stage 11 in Sethsiripaya 02 buildings, subjected to a test check under such insufficient space circumstance, 72400 sq. ft in the “Maga neguma” maha medura belongs to the Authority had to be given to use for the ministry of Road and High way Development.

Since the divisions expected to be located in this newly constructed building had not been specifically identified and the offices of the Line Ministry had been located in this building from time to time, after being constructed, all offices and divisions of the Road Development Authority could not be established in one buildings. As such had such divisions been located in one place the administrative functions of the Authority could be facilitated.

Moreover, in designing the construction of the new 10 storied administrative building of the Ministry of Health the approval of the cabinet of ministers had been granted for an estimated cost of Rs. 3896 million and the approval of the Urban Development Authority had also been obtained. Since it was

subsequently observed that it was insufficient to establish all the divisions therein and located in the old building of the Ministry of Health and the building taken on rent basis and as such the designs had been changed up to 16 storied building, resulting that the total cost estimate for the new building had risen to Rs. 5,979 million. Apart from that the approval of the Urban Development Authority had not been obtained for such new changes, even up to 05 October 2020.

- iv) Attention for the identification of total cost estimates of the new projects in the construction of new government office buildings had not been specifically and correctly drawn. However, it was observed that the total cost estimates of 54 projects included in the government investment programme 2017-2020 had not been indicated. Accordingly it was observed that the total cost estimate for the building construction projects had not been specifically identified in the national planning process stage.

According to the progress report of the huge and grand scale development project relating to the first quarter of 2020 in the Department of Project Management and monitoring since the revisions of cost and physical changes taken place from time to time overall cost estimates of 13 percent of the grand scale projects, had increased.

**c) Identification of need for Ministry buildings**

Since the government policies are changed short termly, the additional building requirements are arisen for the establishment of ministries under various portfolios. In terms of such changes it was observed that various divisions belong to the Ministry, including public officers have to be brought to variant places. Since there were no opportunities to supply required buildings, buildings had to be taken on lease basis from external parties. Moreover, it was also observed that since the private staff of the Minister has to be stationed in the same building, accommodation needs to be allocated for them as well. According to the explanations made from 27 ministries during the period from 01 March 2020 to 30 June 2021 75 buildings in 16 Ministries had been obtained on lease basis. The monthly rent of 59 building users of them was inexplicit and the total monthly

lease rent expenditure of the balance 16 buildings uses amounted to Rs. 36 million. Twelve Ministries of them had obtained buildings from private sector on lease basis and a sum of Rs. 33 million had been paid as monthly lease rental during that period.

**d) Timely review of space use available in the buildings.**

In the optimum utilization of state buildings by obtaining information, being carried out periodic surveys to see whether there are shortages or excesses in the available space within buildings and to maintain data on these buildings can be managed with a maximum effectiveness. However, it was observed that such data systems are not maintained in state entities. According to the information called for by audit, out of 142 state entities only 05 entities, comprising the Independent Television Network, National Post Harvest Management Institute, Sri Lanka institute for local governance, National Design Centre and Janakala Kendraya could be able to provide complete information relating to the utilization of buildings as expected by audit. Accordingly it was observed that 137 other institutions or about 96 per cent of the public entities are not maintained information and data on their buildings appropriately and as such there was no methodology to review the utilization of space available in the buildings periodically. This was a common feature in respect of the whole public institutions. Since the decisions are taken without being periodically reviewed the utilization of space in the state buildings the observations on uneconomic utilization of buildings space by state institutions are included later in this report.

**3.1.2 Following Formal Specifications and Standards in the Construction of Buildings**

In performing the affairs of a government office on the institutional objectives an environment to realize the affairs of the officers use the building and its clients' needs to be available. Similarly the building premises should have been planned and established, enabling the performance of tasks to be efficiently carried out within the other buildings such as stores, sales shops, factories etc. Therefore more attention needs to be paid on architecture in the construction of state buildings and the recognition of building requirement is more important. In terms



of financial regulation 787 the Department of Public Works (Department of Buildings) is responsible for the execution and construction of works of the Government. It was observed that it is a significant matter in framing a basis for the allocation of accommodation facilities as to achieve the institutional objectives efficiently in the utilization of government offices in terms of the nature of the post of each officer and their duties with other eco-friendly infrastructure facilities. Nevertheless, the general standards and criteria had not been formulated by now for the construction of state office buildings by the Department of Buildings, which is responsible therefore. As a result, in planning state buildings, it was observed that office space is allocated even after procurement process. Since the divisions expected located in the new administrative building of the ministry of Health, being constructed near the castle street Hospital, Subject to audit test check, the total cost of which amounted to Rs. 5979 million had not been identified in the interior designing stage it would affect to delay the completion of construction work. Moreover it affected the provision of required provisions in the expected time. Therefore it was observed that even though the construction work was expected to be completed on 19 November 2019 even by the first quarter of the year 2022 the construction work had not been completed. Therefore it can be observed that the government general standards and criteria are not identified in the construction of state buildings, specially newly constructed government institutional buildings have not been fulfilled this basic requirement had caused thereto.

### **3.2 Fulfillment of Requirement for the Utilization of State Buildings Effectively.**

In the construction of buildings or taking on lease basis, necessities for the use of such buildings with a manner achieving maximum performance include the legal ownership. Existence of basic facilities for the clients who come for service requirements, existence of sufficient parking facilities, compliance with the building regulations of the Urban Development Authority able to manage traffic congestion, availability of handicapped access road and the effective use of building premises. Instance were observed where attention on these necessities were not paid details appear below.

### **3.2.1 Legal Ownership of Buildings**

Issues such non-identification of ownership of land and buildings belong to the entity non-availability of such documents as title deeds for the assessment of lands and buildings, transfer certificates plans etc. identification problems of land and buildings to which ministry that they belong to along with the change of Ministries and their portfolios from time to time had been particularly identified in this audit of the 142 institutions which had given information to audit and according to the information confirmed 105 institutions it was revealed that 415 instances of buildings uses had utilized buildings without paying lease rent. According to the information made available to audit it was observed that 73 state institutions of them had the legal ownership of 271 buildings belong to them. Accordingly it was observed that 35 of the institutions, having being implied their ownership and used the buildings had no legal ownership.

Eg. It was observed that the National Youth Services Council do not have the ownership of lands and properties in which 28 training centers belong to the National Youth Services Council and 7 district officers are established.

### **3.2.2 Localization of all Divisions of the Institute in One Place.**

Of the institutions subjected to audit test check, the divisions under the Ministry of Health No. 26, Sri Sangaraja Mawatha, Colombo 10, No. 385 Suwasiripaya, Baddegama Wimalawansa thera Mawatha, 02 buildings in Colombo 10 had been localized. Similarly the engineering offices belong to buildings division of the Ministry have been located in the relevant 02 buildings. Moreover, the sub-offices of the Road Development Authority have been established in Maganeguma, Sethsiripaya stage I and II buildings. Therefore the convenience and the efficiency to be achieved by localizing the administrative function of those offices in one premise are refrained

### 3.2.3 Necessities for the Fulfillment of Taking Buildings on Lease Effectively.

Of the 142 public institutions, made available in formation to audit it was observed that 71 institutions or 44 percent of them have been using 513 buildings taken on lease basis and rentals calculated on various basis are paid particulars of relevant entities are as follows.

Type of state institution	No of buildings taken on lease		Buildings taken on lease from private sector		Percentage of buildings taken on lease from private sector
	No of institutions	No of buildings Users	No of institutions	No of building uses	
Ministries	17	75	12	59	79
Departments	11	142	08	128	90
Corporations	14	178	09	82	46
Statutory institutions	14	62	09	43	69
Universities	01	02	01	02	100
Government Companies	08	36	06	25	69
Projects	06	18	04	10	56
<b>Total</b>	<b>71</b>	<b>513</b>	<b>49</b>	<b>349</b>	<b>68</b>

The following observations are made in this connection.

- (a) In obtaining buildings on lease basis from other parties by Departments which do not earn income, Ministries etc. provisions are made under recurrent expenditure object No. 1404 (Rents) to incur expenditure thereon. A sum of Rs. 33,023 million had been incurred by the Government for lease rental and rates during the period from 2016 to 2020. As compared such provision made and actual expenditure, savings of provisions were observed ranging from 4 to 12 percent as shown below.

Year	Revised estimate Rs (mn)	Actual expenditure Rs (mn)	Difference between the estimate and the actual expenditure (percentage)
2016	6,276	6,031	04
2017	6,738	6,407	05
2018	7,538	7,014	07
2019	8,350	7,379	12
2020	6,680	6,192	07

(Source: Budget Estimates 2016 to 2020)

- (b) Many of these buildings, had been obtained from the private parties and it represented as high as 68 percent.
- (c) Eleven Departments had taken 142 buildings units on lease basis of which 82 percent had been taken from private parties. Accordingly 99 Vidatha Centres, subjected to audit sample check had been obtained from private parties on lease basis by paying a sum of Rs. 1,429,644
- (d) Of the 142 institutions which had given information to audit particulars of 103 building uses on lease basis by 23 institutions were not made available to audit. It is 20 percent of the total buildings taken on lease basis.
- (e) By paying a sum of Rs. 930,000 as monthly rental, 8,500 sq. ft had been using in the Samagam Medura by the Sri Lanka National Intellectual Property Office. Even the 08 years had elapsed after informing the relevant lessee to leave the place since 2013, action had not been taken accordingly. Even though a sum of Rs. 22,298,751 had been spent from the National Intellectual properties fund for the construction of a new buildings for this institute since the land purchased from this money had been entrusted to the Urban Development Authority it had been ordered from the cabinet decision No. CP/ 15/0272/625/007 dated 23 April 2015 to the Urban Development Authority to reimburse that money. Accordingly formal action to provide required building facilities to operate this institution had not been taken up to now.
- (f) Majority of development projects in Sri Lanka are operated by foreign aids. progress report of the large and grand scale development projects relating to the first quarter of the year 2021 of the Department of Project Management and Monitoring observed that a sum of Rs. 28.7 million had been paid as monthly lease rental for 48 project management units and fulfilled the building requirements. 40 offices of them had been operated by foreign loans. Accordingly it was observed that such facilities are obtained by applying variant prices and bases, since a clear series of instructions had not been issued for obtaining these office facilities
- (g) The Ministry of Highways had entered in to lease agreements to rent 40,435 sq.ft in the Sethsiripaya Stage I, building premises to maintain project offices for 8 projects,

operate as project executing agencies. According to the lease agreements a sum of Rs. 6,550,470 is paid monthly to operate project offices.

#### **3.2.4 Obtaining Certificate of Conformity**

Certificate of conformity are issued by the Urban Development Authority for buildings constructed in compliance with building regulations imposed by the Urban Development Authority and certificates of conformity are not issued for buildings not complied with such instructions of the 258 building usage by 73 institutions with have legal ownership by which replies had been given for audit queries, 03 are old buildings and certificates of conformity had been issued only to 07 out of 255 building usages with legal ownership. As observed 97 percent of these buildings are used without certificate of conformity similarly any action had not been taken by the Urban Development Authority in respect of constructions for which certificates of conformity could not be issued.

According to the information made available to audit it was observed that there were no certificates of conformity for 513 building usages which had been taken on lease basis. Accordingly a large number of state institutions maintain their buildings without paying attention on the ownership of building, compliance with the plan etc. which is the basic need expected in getting the certificates of conformity.

#### **3.2.5 Sufficiency of Vehicle Parking Facilities.**

It is foremost important to provide sufficient space to park motor vehicles require for the achievement of the functions of the institute and its clients vehicle in the relevant building premises. Since non-availability of sufficient parking space and to park vehicles in other places, all will become inconvenient and had to incur an additional cost as well. Observations thereon are as follows.

(a) According to the information made available to audit, out of 142 institutions 427 building usages of 92 institutions had used buildings without sufficient vehicle parking facilities.

(b) According to the information made available to audit 202 buildings out of building usages without sufficient vehicle parking facilities had been obtained on lease basis from public and private sectors and a sum of Rs. 49,703,440 had been paid as monthly lease rentals. Of them a sum of Rs. 45,379,552 had been paid as monthly lease rentals to 164 buildings taken on lease rent from external private parties.

### **3.2.6 Sufficiency of Facilities to Clients**

When the general public comes to obtain a service from a state institution it is important sufficient availability of necessities such as the localization of service divisions properly sufficient accommodation facilities to wait until he gets his task fulfilled, canteen facilities and toilet facilities etc. therefore the adequacy of facilities for clients is affected to perform the functions of a public institution efficiently and effectively of the 142 institutions by which information was given to audit it was observed that sufficient facilities were not available for client in 434 building usages of 89 institutions.

Thirty six of them had paid a sum of Rs 45,352,308 as monthly lease rentals for 170 building usages. A sum of Rs. 42,324,095 had been paid monthly lease rentals for 129 buildings taken on lease from private parties. Therefore, it was observed that the attention for the adequacy of facilities to clients had not been drawn in obtaining buildings from private parties on lease basis.

### **3.2.7 Sufficiency of Physically Handicapped Access Facilities.**

According to the Extraordinary Gazette Notification No. 15/1467 of 17 October 2006 every public entity needs to have sanitary and handicapped access facilities including slope access roads. The following observations are made in this regards.

- (a) According to the information made available to audit the number of buildings use by 106 institutes out of 142 amounts to 754. It consisted of 617 offices without deformed access facilities 40 as stores, 11 as training centers and 82 as other requirements.
- (b) As per information made available to audit 52 institutions had been paid Sum of Rs. 52,357,603, as monthly lease rentals for 325 building usages obtained on lease basis without handicapped access facilities of them, monthly lease rental of Rs. 46,046,384 had been paid for 245 buildings obtained from private parties on lease. In obtaining these buildings from private parties attention had not been paid for the existence of handicapped access facilities.

### 3.2.8 Maintenance of Buildings

To be efficient use buildings should be at good condition level and as such maintenance of buildings continuously is a must. Related observations are as follows.

- (a) According to the budget estimates the total provision of Rs. 6,072 million had been made for the maintenance of buildings of the ministries and Departments for the Period of 05 years from 2016 to 2020. It was observed that about Rs. 5,449 million thereof had been spent. The average difference between the provision and the actual expenditure had been a decrease of about 10 percent as per details below.

<b>Year</b>	<b>Revised Estimate Rs.'(000)</b>	<b>Actual Expenditure Rs.'(000)</b>	<b>Difference between the estimate and the actual (percentage)</b>
2016	1,024,235	890,358	-13
2017	1,052,028	990,314	-6
2018	1,245,470	1,151,528	-7
2019	1,405,843	1,186,164	-16
2020	1,345,058	1,231,514	-8
<b>Total</b>	<b>6,072,634</b>	<b>5,449,878</b>	<b>-10</b>

**(Source: Budget Estimates 2016 to 2021)**

Since the building maintenance cost can be able to minimize being minimized the shortfalls at the principle planning stage, it was observed that this annual expenditure burden is a considerable amount.

- (b) According to the information made available to circuit, the National Entrepreneurial Development Authority is located at 561/3 Alvitigala Mawatha and a space of 4,500 sq. ft had been allocated to the Authority. It was observed that office functions have been operated in the space of 2000 sq. ft thereof without getting it repaired.

### **3.2.9 Assessment Determination of Value and Documentation of Buildings.**

Observation made in this regard at test check carried out is as follows.

- (a) The assessment value of the buildings belong to the Attorney General's Office, assessed by the central i, ii and Eastern provincial offices of the Valuation Department amounts to Rs.727,399,220 but the assessed value of the buildings belong to the Attorney General's office, according to the information of the Department of State Accounts amounts to Rs.155,630,000. Therefore it was observed that even though the buildings valued Rs.571,769,220 had been assessed, it had not been brought to accounts.
- (b) As observed at test check a building had been taken on rent on an idea of the Minister of Prison Reconstruction, Rehabilitation, Resettlement and Hindu Religious Affairs to bring down all the institutions come under the Ministry to one building. The Ministry had entered into an agreement with the building owner for a period of 24 months since 10 May 2016 at a monthly rental of Rs.5,089,500 but the government valuer had assessed the monthly rent as Rs.3 million of the building. As the response to the request made by the Secretary to the Ministry stating that this assessment be reconsidered. Being responded the request the monthly rent had been increased up to Rs.4.2 million to reach a settlement. Without being discussed with the building owner for the settlement, the building had been taken on rent at the bid value



presented and as a result an over payment of Rs.21,348,000 had to be made for the period of 02 years at a monthly amount of Rs.889,500.

(c) According to the Circular No. GFC /02 dated 24 June 2013 of the Department of State Accounts 7528 files were received as at 31 December 2021 for the assessment of government lands and buildings and action on 6625 files had been completed but 551 files had been closed on various grounds. The number of files being further assessed amounted to 352. The following reasons had been caused to close down those files without being assessed. Many of these issues could have been prevented and it was observed that such problems were arisen since the government lands and building properties had not been properly managed.

- i. Non-availability of related plans and documents to prove the ownership.
- ii. Non-receipt of title plans and building plans of lands belong to Regional Office.
- iii. Non-permission to enter the buildings by certain institutions on security reasons.
- iv. Location of the relevant properties could not be correctly identified and the applicant and institutions do not have an understand about the location of property.
- v. Change of ownership of the property since the institutions of the change of ownership had not informed the Department of valuation it was unable to report having being established the ownership of property
- vi. Since each ministry is connected with other Ministries from time to time the ownership of property could not be specifically identified to which Ministry it belongs to
- vii. Since the necessary particulars are not given at the correct time in assessing rent of government publications, they have to be re-assessed again and again and nonissue of specific assessments efficiently
- viii. Assessment problems arise based on various issues in lease agreements

(d) According to the letter No-MPI/ACC/F12/General/2020 dated 12 August 2020, presented for giving information on buildings of the Ministry of Plantation Industries and Export Agriculture and institutions under that, the extent of the building in which the Department of Rubber Development is operated amounts to 17,405 sq. ft and the monthly lease rent amounting to Rs.3,358,077 had been paid. When the relevant building was taken on lease information was no given about whether an assessment is taken from the valuation Department. In the examination of this transaction the following matters were observed.

- i. In terms of Financial Regulation 835(2) in hiring buildings the Head of Department should consult the chief valuer and get a valuation. Nevertheless, without getting valuation from the Department of Valuation a building had been hired on the valuation of a private valuer in the year 2016 in a manner increasing the rent per sq. ft by 5 per cent annually. Accordingly a rent amounting to Rs. 45,802,860 had been paid for 17,405 sq.ft at Rs.219.30 per sq.ft only in the year 2019.
- ii. In hiring a part of 3,048 sq.ft in the above building in the year 2017, a government valuation had been obtained and its annual valuation amounted to Rs. 6,000,000. Since the rent per month was Rs.164 per sq.ft, an over payment of Rs. 55.30 per sq.ft had been made for the extent of land obtained without a government valuation.
- iii. In hiring the building part of 3,048 sq.ft for the affairs of the Department of Rubber Development the valuation of the Department of Valuation in terms of letter dated 10 July 2019, it was stated as Rs.460,000. By that time the Department was paying a monthly rental of Rs. 560,070. As a reply to the letter dated 18 July 2019 issued by the Department of Rubber Development to the Department of Valuation, the valuation had been changed as at Rs 500,000 as the monthly rental but without accepting the government valuation, buildings had been hired from private entities with detrimental conditions.

(e) Requests had been made to the Western North Provincial Office of the Department of Valuation during the period from 2013 to 2019 asking for property valuation by various Government entities. Due to various reasons, including the non-availability of necessary documents, files of 375 requests received from 37 public entities had been closed, since the related valuations could not be done. The following observations are made in this connection.

- i. Even though request through 141 files were received from the Sri Lanka Army for the valuation of lands and buildings such properties could not be assessed due to such reasons as, non-availability of necessary documents relevant properties could not be found in the field, non-availability of title plans and documents to confirm the ownership and non-availability of relevant plans and the list of building details etc.
- ii. Among the reasons affected not to fulfill the requests for assessments totaling 56 made by the Sri Lanka Navy, Department of Civil Security and the Department of Police, include non-availability of necessary documents, non-availability of the establishment of ownership, unable to contact relevant officers. As a result, it was reported that such files have been closed.

(f) Since problem arisen in the valuation of buildings belong to Government Ministries and Departments and the existence of the following constraints to settle such problems it was observed that the valuation of buildings are further delayed.

<b>Problem</b>	<b>Constrain to settle the problem</b>
(i) Not allowed to enter many buildings and properties due to security reasons	Not permitted to enter the buildings by certain institutions due to security reasons.
(ii) Unable to identify the location of properties	Unable to identify the correct location of the particular property, lack of understanding about the location of the property to the applicant entity.
(iii) Non-availability of survey plans for related lands.	Non-preparation of survey plans of the relevant lands by the related entities.
(iv) Non-availability of documents establishes the ownership of lands with buildings.	Non-transfer of the ownership of lands due to transfer difficulties.
(v) Change of ownership of properties.	Change of the ownership of properties since we have not been informed by the entities changing the ownership, it could not be reported having being established the ownership of property.
(vi) Change of ministries belong to properties	Since each ministry is joined with other ministries from time to time the ownership of the property could not be specifically identified to which ministry belongs to.
(vii) Not giving all requested particulars correctly in the valuation of trade stall rents.	Since all necessary particulars are not given at the time of assessing the rent belongs to government entities they have to be re-assessed again and again and not giving the specific valuation efficiently.

- (viii) Existence of various faults in lease agreements. Since various faults exist in leasing agreements valuation problems may arise.
- (ix) Ignorance of the revision of period. assessment period Since the local Authorities do not request the revision of assessment within the specific period of 5 years the assessment revision value percentage will increase and as a result public protests against revisions are increased.
- (x) It is difficult to issue assessment revisions once in 5 years. Even though request are made by local authorities to revise assessments once in 5 years, dearth of staff in the Department and the attention has to be drawn in respect of special development projects had caused to complete the revision within the specific time.

(g) Circular No. 267/2018 dated 21 November 2018 in respect of the final statements 2018 of the Department of State Accounts and paragraph 8.2 of Circular No. 271/2019 dated 03 December 2019 in respect of the financial statements of 2019 stated that all non-financial assets belong to new institutions should be brought to accounts and finished by the year 2020. However it was observed that there were inordinate delays in respect of assessing and accounting of non-financial assets. It was further observed that due to non-availability of necessary documents for the assessment of lands and buildings there is a room for delays for a long period to perform this function.

(h) In addition to the Circular No. SA/AS/AA dated 24 January 2013, the Circular No. GFS/02 dated 24 June 2013 had been issued by the Department of State Accounts for the implementation of an accrual accounting system. Even though more than 7 years had elapsed after being issued instructions from the above circulars to assess the lands and buildings with the assistance of the Department of Valuation, Assessment functions could not be completed.

- (i) According to the information available in the Postal Department the number of lands and buildings of the post offices and sub post offices, formally acquired by the Department amounted to 134 of these buildings 81 had been assessed and reported to the Department of State Accounts and their land value and the building value amounted to Rs.889,878,700 and Rs. 435,014,300 respectively. Accordingly the number of lands and buildings belong to post offices and sub post offices, remaining further for assessments amounted to 53. Even though details of 23 lands and buildings had been referred to the Valuation Department issue of valuation reports of other buildings had been delayed, though requests had been made.

### **3.2.10 Determination of Lease Rent on a Correct Valuation**

The following observations are made in this regard.

- (a) Out of 142 institutions, 513 building usages by 71 institutions were observed. even though they had been obtained on lease, only 122 building usages had been assessed by the Department of Valuation. Therefore it was observed that lease rent of 76 percent of them had not been assessed.
- (b) The National Lotteries Board is operated in the buildings to the extent of 30,890 sq. ft. at 32,Mudalige Mawatha, Colombo 01 and according to the valuation report obtained therefor the monthly rent was Rs. 3,750,000 but it was stated that a monthly of Rs. 8,119,125 was paid. Accordingly a monthly rental of Rs. 4,369,125 had been over paid and a sum of Rs. 276,050,250 had been paid as rent during the period from 01 September 2018 to 30 June 2021. The Board owns a land at 55/57, Vauxhall Lane, Colombo 02, 112.5 perches in extent. Even though the approval of the Urban Development Authority had been obtained for its basic plan for the construction of a permanent office building in that land such constructions works were delayed and as such and undue lease rental had to be paid.

(c) Since the buildings belong to the Ministry of Health are insufficient to maintain for the performance of functions of the Ministry for hiring the building situated No 26, Sri Sangaraja Mawatha, Colombo 10. A report had been obtained from the Valuation Department on 17 November 2017 and according to that report, the monthly market value had been assessed at Rs. 5,770,000. The assessment rates and repairs of the building to be borne, by the owner. The valuation report had further stated that conditions be included that the above lease rent needs to be paid for the period of 02 years being unchanged.

The following observations are made in this connection.

- i. In hiring this building for the period of 02 years from 01 August 2018 to 31 July 2020, it was agreed to pay monthly rental of Rs. 9,487,500 and Rs. 10,436,250 for the first and the second year respectively and the total lease rent of Rs. 239,085,000 had been paid for the 2 years period. According an over payment of amounting to Rs. 44,610,000 had been paid at Rs. 3,717,500 per month exceeding the monthly assessed value stated in the valuation report.
- ii. The above building had been hired again for the period of 02 years from August 2020 to 31 July 2022. lease rent totaling Rs. 177,520,612 had been paid for a period of 1 year and 5 months up to 31 December 2021, at Rs. 10,291,050 as the monthly rental for the first year and Rs. 10,805,602 as the monthly lease rental for the 2<sup>nd</sup> year. The construction work of a building to get the necessary accommodation for those divisions of the ministry is being carried out since 2016 but construction works had been delayed due to various reasons. Therefore it was observed that to operate the relevant divisions of the ministry in the buildings obtained on rent basis, a large amount of rent expenditure had to be incurred as stated above.

- iii. According to the report obtained from the Valuation Department for the above building the monthly market rent was assessed as Rs. 5,770,000 and the repairs of the building had to be borne by the owner of the building. Irrespective of that clause a sum of Rs. 20,830,293 had been paid to the lessor for the building maintenance for a period of 03 years and 05 months from 01 August 2018 to 31 December 2021.

### **3.2.11 State Entities not own Land and Buildings**

As stated in letter No. SA/GFS/01/06/03 dated 16 February 2021 of the Department of State Accounts 60 state entities have been identified which do not Government owned lands and buildings and particulars thereon are as follows.

<b>Type of Entity</b>	<b>Number</b>
Ministries	08
State Ministries	09
Departments	29
Commissions	08
Other entities	06
Total	<u>60</u>

It was observed that 13 buildings included in this list had not been entrusted in the name of the Department and non-availability of folio copies.

### **3.3 Construction of Buildings for State Institutions**

#### **3.3.1 Building Policy for the Public Sector**

Since a national policy on the construction of public sector buildings, new constructions are not appropriate for the requirement of the entity and there are many occasions where capital expenditure incurred by the government thereon is ineffective as detailed in this report. Moreover the existence of shortages and excesses in the space of the buildings used for the performance of government functions and certain buildings are idling and underutilized and it effects the utilization of state buildings efficiently and effectively



### 3.3.2 Capital Expenditure for the Acquisition of Buildings

There is a necessity to spend the financial provisions made for this purpose effectively on a primary standard. Since the capital expenditure is a considerable and material figure in the government expenditure and as such more attention needs to be drawn in the regard. Particulars thereon appear below.

(a) A capital expenditure totaling Rs. 482 million had been incurred by the Government during the period 2016 to 2020 for the acquisition state buildings purchase of lands and buildings, construction of buildings and addition to the existing buildings and it is ranging from 14 to 16 percent of total government capital expenditure, as per details below.

Object Code	Expenditure details	2016	2017	2018	2019	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2001	Reconstruction and Improvement of buildings and construction	11,268,158	14,115,453	16,164,787	13,886,500	11,224,512
2104	Buildings and constructions	40,886,483	58,109,211	58,931,126	49,653,001	73,070,327
2105	Lands and land improvements	44,021,256	24,389,499	21,230,974	22,447,484	33,226,884

(b) In terms of National Budget Circular No. 4/2018 of 17 July 2018, it was emphasized that the utilization of provisions allocated for capital projects had been at a lower level and if the public investments are inefficiently executed and being continuously underutilized and the completion of continuing projects and new projects are delayed it will effect further reduction of economic growth. However, a total provision of Rs.719,954,983,000 had been made for the 5 year period from 2016 to 2020 only a sum of Rs.481,954,852,000 had been expended thereof. The difference between the

provisions and the actual expenditure is a decrease of 33 percent as per details below.

Expenditure details	2016		2017		2018		2019		2020	
	Revised provision	Savings of provision	Revised provision	Savings of provision	Revised provision	Savings of provision	Revised provision	Savings of provision	Revised provision	Savings of provision
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Buildings and construction (Rehabilitation and improvements)	21,417,521	47	19,549,157	28	23,594,882	31	24,297,185	43	10,232,518	9
Buildings and constructions	89,055,849	54	93,191,871	38	81,438,971	28	87,476,857	43	66,100,278	10
Lands and lands improvements	76,524,009	42	39,962,360	39	25,793,215	18	30,802,186	27	30,518,124	8.15

(c) The total provisions made for the acquisition of government building from the annual budget had ranged from 13 to 16 per cent from the total government capital provision. Even though provisions for the acquisition of buildings and lands are made annually through the budget, construction / acquisition of buildings had been delayed due to insufficient of such provisions and as a result the cost of building construction / acquisitions had increased, as observed along with the analysis of other observations.

### 3.3.3 Constructions Abandoned on the Way

Construction works of buildings being constructed for the fulfillment of accommodation requirement of state entities had stopped on the way due to such reasons as non-availability of sufficient provisions within the specific period, construction faults, and deficiencies in taking decision to stop construction works. As observed at test checks the following observations are made thereon and this issue is to be considered in depth in the construction works of state institutions.

(a) Mahaweli Authority had awarded 02 contracts for the construction of 02 buildings for the supply of residential facilities at Rs.9,704,290 (without

VAT). Even though the buildings expected to be completed in the years 2019 / 2020 the contractor had given up the contract and stopped construction works. By the time, the work of these buildings had stopped, the progress of construction works was 20 per cent and a cost of Rs.1,627,576 had been incurred. Accordingly this contract had been cancelled in March 2019 and to complete the balance work of 02 projects a sum of Rs.10,823,205 had been estimated. One of these projects had been awarded to a private entity on 02 December 2021 and the provision for the balance project could not be made. As a result it was observed that the achievement of anticipated benefit from these buildings had to be further delayed.

- (b) A sum of Rs. 14,757,550 had been estimated for the construction of Residential Business Management Office at Embilipitiya – Murawasihena in the Valawa special Authority area belongs to the Mahaweli Authority. Despite the certified works amounted to Rs. 5,867,830 and the physical progress was 85 per cent the contract had been terminated on 22 December 2021. On the ground of non-availability of provisions. Since the building expected to be used in the year 2019 could not be completed as expected it was observed that the usage for the intended purposes is further delayed.
- (c) Agreement had been entered in to on 01 November 2017 with an estimate of Rs.14,069,468 for the repair work of Meddawatta store belongs to the paddy marketing board and the work thereof had been commenced and a payment of Rs.5,193,866 had been made. Since a period of over 02 years had lapsed after being, stopped repair works on non-availability of provisions and other external impact, the said paddy store could not be used for the intended purposes.
- (d) For the construction of Riverside Mawathura Auditorium vehicle park and driver quarters for the Kothmale Irrigation and Water Management International Training Institute had been estimated at a cost of 9,900,000 and a contract had been entered into with a private contractor in the year 2016 for a sum of Rs.8,700,000. Despite the construction progress had been at 31 percent the construction works had been stopped due to non-availability of sufficient

provisions and the contract agreement had been terminated after paying a sum of Rs. 1,644,981 to the contractor. Even though nearly 5 years had lapsed after being stopped construction works, it could not be completed and as such it was observed that the building could not be used for the intended purpose.

(e) Even though a cost of Rs. 130 million had been incurred to force pile – driver in the office buildings under stage 1 at No 02 Kingsly Road, Colombo 08 belongs to the Health Promotion Bureau of the Ministry of Health. Since the approval of the cabinet of ministers had not been obtained for the 2<sup>nd</sup> stage of the building the construction works had been stopped on 20 June 2019. As the provisions for the stage 02 had not been made from 2019 to 2022 it was observed that construction works of the building had delayed nearly 4 years. Since the delay in the construction work of this building a price fluctuation had occurred and the Ministry of Health had stated that a cabinet memorandum is being presented in this connection.

(f) Observations in respect of 03 construction projects in the Anuradhapura Teaching Hospital are as follows.

- i. Agreements had been entered into with a private contractor for the construction of accident and emergency treatment unit in the Anuradhapura Teaching Hospital. Since the contractor had evaded the construction works, despite the physical progress construction work had been 01 per cent, as month of February 2020 construction work had been terminated and as such it was observed that the construction works of this treatment unit was further delayed. The Ministry of Health had stated that this agreement had been canceled due to the unsatisfactory work progress and the value of Rs. 81,653,603 performance and advance bands had been credited to the government revenue.

- ii. Whilst, the physical progress of the construction works of the building, commenced for the provision of residential facilities to nursing staff in the Anuradhapura Teaching Hospital the estimated cost of which amounted to Rs. 139,000,000 was 60 per cent, the contractor had stopped construction work in the year 2018. And as such the contract agreement had been cancelled on 17 March 2019. Even though the estimates were called from the Central Engineering Consultancy Bureau for the balance work provisions were not made during the period 2020 to 2022 and as a result the necessary building could not be completed to provide residential facilities as expected.
  - iii. The estimated cost for the construction of Linear Accelerator unit in the Anuradhapyra Teaching Hospital amounted to Rs. 286,000,000. While the physical progress of the contract remains 15 percent on the construction works had been stopped due to delay in the settlement of bills in the year 2019. Even though the CECB had started the construction work again, the achievement of expected purposes had been further delayed, as the construction work was delayed.
- (g) The contract for the supply of stores facilities at Welisara in the Medical Supplies Division of the Ministry of Health had been awarded to a private contractor on 22 March 2017 for a sum of Rs 240,797,335. The contractor had commenced construction work on 02 June 2018 under the instructions and supervision of the State Engineering Corporation of Sri Lanka. However, since the base pillars were sunk the construction work had been stopped and a sum of Rs. 67,189,923 had been paid to the contractor by that time. According to the report given by a professor in Geo-Technology on the sinking of base pillars, the Ministry of Health had stated that the further action is being taken in terms of the report prepared by the Central Engineering Consultancy Bureau, based on the professor's report.

- (h) The construction of a building, the estimated cost of Rs.98,441,717 at No 17, Malalsekara Mawatha, Colombo 07 for the training requirement of Sri Lanka Institute for Local Governance, belongs to the Ministry of Local Government and Provincial Councils had been initiated in the year 2013 and it was planned to complete such construction by 30 September 2014. Despite works up to the foundation level had been completed according to the physical progress by incurring a cost of Rs. 45,357,072 construction works had been stopped in the year 2014 due to construction faults of the building and deficiencies in the procurement process. Even though 07 years had elapsed after being stopped construction works. The building, being constructed could not be effectively utilized. According to the report obtained from the Central Engineering Consultancy Bureau on 16 June 2020, on the foundation structural stability of this building, further action will be taken as stated by the ministry.
- (i) The contract for the construction for a building for studies and lectures of the Gampaha Wickramarachchi Ayurvedia Campus had been awarded to a private party on 10 September 2014 with approval of the Cabinet of Ministers at a total estimated cost of Rs. 134 million. Even though the construction of this building scheduled to be completed by March 2016, despite the physical progress as at 28 February 2018, was 65 per cent, construction had been stopped. On the agreement of both parties the contractor had departed from construction works on 29 May 2020. Even though the construction works had been entrusted to an another private entity to do the balance work, the entity had stated that construction of this building may be delayed due to the shortage of raw materials. Seven years had elapsed after beginning the construction work of that building by incurring a cost of Rs.19.31 million and as such the effective utilization of the building will be further delayed.
- (j) Approval of the Cabinet of Ministers had been obtained in the year 2016 for the construction of a 4 storied building for the employees training and administrative functions of the Department of Coast Conservation. It was planned to complete the construction works, the total cost of which amounted to Rs. 102.3 million within 4 years since 2017. Despite the construction works

were being carried out being incurred a cost of Rs.30.09 million the work thereof had been halted in terms of the institutions of the letter dated 22 July 2017 of the secretary to the prime minister. The work of the building had been commenced again in the year 2021 and having being spent a sum of Rs.75 million from the provisions received for that year, the physical progress had been increased up to 45 per cent. Since the construction works had been so suspended for a period of 3 years, the expected construction objectives could not be achieved.

### **3.3.4 Delays in the Building Constructions.**

Since the constructions of building projects could not be completed within the specific periods reaching the objectives expected from the construction of such buildings could be delayed due to cost fluctuations and causing construction damages. Therefore, it can be accepted that there will be delays to get the services by the people who expect services and it also severely blockades the economy. Certain instances of such delays are as follows.

- (a) Five construction contracts had been awarded to 03 institutions in the year 2014 and 2017 for the construction of necessary buildings for various services rendered by the Karapitiya Teaching Hospital at an estimated cost of Rs.3,342,405,953. The following observations are made in this connection.
  - i. Two construction contracts at a total estimated cost of Rs. 1,793,100,000 had been awarded to the Central Engineering and Consultancy Bureau for the construction of pediatric special treatment unit and the oral health unit which should have been completed by June 2019 and the physical progress of construction works of these contracts had been 22 per cent and 34.5 per cent respectively as at 31.12.2021 and the cost incurred thereon as at 31.12.2021 totaled Rs. 836,416,439. Even though more than 3 years had elapsed by 25 April 2022 since the expected date of completion, constructions had not been completed and as a result it was observed that achievement of expected objectives are further delayed.

- ii. In order to extend the surgery and clinical activities in this hospital, the construction of the building had been awarded on 29 December 2017 the estimated cost of which was Rs.690,295,793 and the contract had to be completed on 07 February 2021. its physical progress as at 31 December 2021 had been 49 percent and the cost incurred up to that date amounted to Rs.302,108,721 Due to varied cause such as delays in bills payment, adverse weather condition etc. the construction works had delayed and as such the achievement of intended purposes are further delayed.
- (b) The initial estimate for the construction of specialists wards and para medical services building of the primary health preservation unit at Colombo South Teaching Hospital amounted to Rs.600 million and the construction works had been awarded to a private company on 14.08.2006.

The contact period of this construction work was 546 days and to be completed on 19.05.2008 the contract period had been extended 12 occasions during the period of 05 years from 19 May 2008 to 30 April 2013. Since the construction work had been delayed continuously by the contractor the contract had been terminated on 06 March 2014. The tender for the performance of balance work of millennium wards, primary care unit and para medical services building had been entrusted to the State Engineering Corporation on 31 May 2017 for a sum of Rs. 743,011,532 and the construction period was 365 days. Even though construction works to be completed on 18 June 2018 the contract period had been extended to complete the work at 02 occasions, up to 20April 2021 during the period of nearly 03 years. The state engineering corporation had informed that construction will be completed as at date but its physical progress as at 31 December 2021 was at 95 per cent level and the cost incurred was Rs.705,595,235.

- (c) An agreement had been entered in to with a private contractor by the Ministry of Mahaweli Agriculture Irrigation and Rural being estimated at Rs. 21,770,000 Development (irrigation division) for the construction of Residential Business Management Office and the multi-functional auditorium situated at Kotawehera, Mankada, Velioya address and its construction works



were scheduled to be completed as at 20 June 2017. Despite the physical progress of the construction works was 85 per cent, the agreement had been terminated on 04 October 2019 due to financial crisis of the contract. Even though 02 years had lapsed since that date, the intended purpose could not be achieved as the construction work of the building being commenced again.

- (d) It was proposed to construct a building at No. 132, Pettigalawaththa, Galle at an estimated cost of Rs.400 million for the academic functions of the National Institute of Business Management and expected to be completed by 2022. By incurring an actual cost of Rs.275 million the first stage of the building had been completed in the year 2019. even though the commencement of courses related to tourist industry had been planned having being constructed the 3<sup>rd</sup> and 4<sup>th</sup> floors of the building under stage 02 since the ownership of the land is not available, land certificate could not be obtained and as such the construction works had been delayed. It was informed by the Institute that after getting the relevant certificate, construction works will be carried out.

### **3.4 Usage of Buildings in the State Entities**

Building of the Government entities need to be efficiently effectively and economically utilized. The fundamental issues effect on the performance of building utilization include, separation of sufficient space for the staff Localization of all the division of the entity in one place, health security eco-friendly, structural stability, full utilization of space in building premises, renting and leasing out economically and energy efficiency. Audit observations evidenced that more attention on that matter needs to be paid when planning buildings. According to the information made available to audit, the following observations, as examples are made on the utilizations of buildings belong to Government institutions in efficiently, ineffectively and uneconomically.

### **3.4.1 Effective Utilization of Space in Buildings.**

According to information made available to audit cases of building usages for the maintenance purpose of offices, stores, training activities show rooms and other purpose (factories, Laboratories, theaters, sports complex etc) amounting to 872, 36, 13, 28 and 44 respectively by 142 Government institutions were reported. The related observations are as follows.

#### **(a) Building usage for the purpose of maintaining offices.**

In using buildings for the purpose of maintaining offices availability of sufficient space for the officers serve therein effect the employees' productivity and create satisfactory work environment. According to the information made available to audit, in analyzing the room available in the government offices per one officer (it had been taken by dividing the full space between the number of employees) the following matters were observed. Since the necessary space can be changed based on the nature of the duties of the institute, number of clients, number of staff members and the nature of duties in planning buildings, accepted standards thereon had not been introduced and as such it was observed that the existence of massive variations in the building space facilities between the institutions.

- i. While one officer of the following 10 institutions uses more than 200 sq. ft office space in the building and they informed the audit that 157,501 sq. ft of building space is further required.
  - Janakala Kendraya
  - National Transport Medical Institute
  - Trade Naval Secretariat
  - Ministry of Mahaweli and Agriculture
  - Ministry of Irrigation and Rural Development
  - Department of Hindu Religious and Cultural Affairs
  - Department of Examinations of Sri Lanka
  - National Centre for Humanities and Social Sciences Higher Studies
  - Department of Muslim Cultural Affairs
  - Mahaweli Authority and Postgraduate English Language Institute

- ii. Instances were observed where more space for common necessities like corridors, auditoriums etc in the buildings taken on rent basis whereas lesser space for the officers serve in these officers had been provided. Twenty one cases of office building usages in which more than 200 sq. ft space per officer was available in buildings taken on lease basis by 14 government institutions were observed. According to the information made available to audit it is observed that a sum of Rs.6,577,877 is paid as monthly lease rental, only for 17 building usages of them.
- iii. Out of the 142 institutions which have given the replies to audit questionnaire, the space allocated to one employee in 110 office buildings of 38 institutions was less than 100 square feet and the space ranging from 23 sq.ft to 97 square feet had been utilized by one officer. Since the space allocated for one employee was less than 50 sq. ft in 46 buildings thereof it was observed that the employee productivity of those buildings may be declined.
- iv. As mentioned above, despite leasing had been paid uneconomically being employed only 3 officers in the building, 3336 sq.ft in extent taken on lease by the Sri Lanka Standards Institute, 307 officers had been engaged in the building situated, nearest to the rented building belongs to the Institute in a minimum space of 26.83 sq. ft per officer. Similarly. Despite a land 23 acres in extend belongs to the Institute, The Sri Lanka Standard Institute had not taken action to fulfill its requirement.

### **3.4.2 Underutilization of Buildings**

Since the cost incurred for the acquisition and maintenance of buildings is incurred for the entire building premises, a part of the relevant building is underutilized and as such the cost incurred for that part becomes fruitless. Therefore, by underutilization of buildings, the Government has to incur

uneconomic expenses, especially lease buildings. The observation in this connection is as follows.

**(a) Underutilization of buildings according to the information made available to audit**

According to the information made available to audit, 25 cases of building usages by 14 state institutions, 78,781 square feet had been underutilized of the total building utilizations of such institutions the underutilized square feet ranged from 15 per cent to 87 percent.

**(b) Abandoned buildings due to non-maintenance and non-operation.**

- (i) In the old building situated at No.06, York Street, Colombo 01 belongs to the Sri Lanka Handy Craft Board, 44,000 square feet in extent Laksala showroom is located in an extent of 1900 sq.ft. The information made available to audit observed that the balance unused extent of 42100 square feet can be utilized after being fully repaired. Accordingly, space to the extent of more than 42000 square feet unused in an area like Colombo 01, with a very high value of lease rentals are not used for an effective purposes. In order to operate a public entity in the Mudalige mawatha, Colombo 01 a sum of Rs.263 as a market lease rental is paid for one square feet (Rs.8,119,125/30890 sq.ft). When the extent of space in this building situated at York Street, Colombo 01 is calculated on market lease rental, it is observed approximately Rs. 11,072,300 per month for 42100 square feet (42,100sq.ft x Rs.263). Accordingly the audit observes that the idle space needs to be effectively utilized expeditiously.
- (ii) The Lanka Porcelain Company owns 09 of them tiles and bricks factories and 04 factories of them at Weuda, yatiyana, Mullathivu and Bangadeniya had stopped production and as such buildings were being unused.
- (iii) The total paddy harvest in maha season 2018/19 was about 3,072,572 Metrics tons. Even though 07 regional offices of the paddy marketing Board had the capacity of 317,880 metric tons in 315 stores, only

48,269 metric tons of paddy had been purchased by the Paddy Marketing Board. Accordingly despite about 10 per cent of the total paddy harvest in that season could be able to purchase in accordance with the stores capacity of the Board only 01 percent of the total harvest had been purchased and as such the stores utilization had been only about 15 percent of the total capacity.

According to the information made available as at 31 March 2022 the capacity of 315 stores belong to 7 Regional Offices, was 310,720 metric tons and only the capacity of 75,237 metric tons had been used. It is 24 per cent utilization of the overall capacity. It was observed that since the paddy stock was not received in the maha season 2021/22 that 87 stores with the capacity of 81335 metric tons and 23 stores existed at dilapidated position had not been utilized. Accordingly, it was observed that stores belong to the Paddy Marketing Board had been underutilized for long periods.

- (iv) Even though 43 stores belong to the Mahaweli Authority are used by the paddy marketing Board since 2009 only rent had not been recovered from these stores even by 31 December 2021. Since there is a necessity to repair such stores up to the standard suitable to store paddy request had been made by the chairman of the Paddy Marketing Board to the Director General of Mahaweli Authority, to endow the ownership of such stores to the Paddy Marketing Board. However, it was unable to entrust such lands or to recover rent even by 31 December 2021.

### **3.4.3 Obsolete Buildings**

- (a) The National Lotteries Board owns a land 112.5 in extent at No 55/57 Vauxall Lane, Colombo 02 and the approval for the initial plan had been obtained from the Urban Development Authority to build a permanent office building but action in that regard had not been efficiently taken, it was observed that the land had abandoned since 2009. Even though a request had been made for the construction of buildings in this land from the Ministry of Finance by the letter of 10 February

2021, it was informed that the approval cannot be given for the construction buildings in terms of government policy.

(b) Decision taken by the cabinet of ministers met on 04 October 2016 in respect of Elpitiya from rubber factory belongs to the Sri Lanka Rubber Manufacturing and Export Corporation had been revised at the meeting held on 01 November 2016 and it was decided to rent the factory to a suitable investor for a period of 30 years, subject to get a new assessment on the factory from the Valuation Department and by following the procurement procedure. Accordingly the lands and building belong to the factory had been assessed at the following values by the valuation Department.

<b>Item</b>	<b>Assessed value Rs.</b>
Land	7,000,000
Factory and other buildings	22,000,000
Plants Machinery furniture and other equipment	5,000,000

The value of land, factory buildings, plant & machinery and furniture belong to the factory amounted to Rs. 34,000,000 in terms of valuation report, but it was observed that this property had been idling for a long period without being utilized.

(c) Store Nos 01, 07, 08, 09, 10 and 13, totaling 6 stores at Veyangoda stores complex belongs to the Food Commissioner's Department had been innovated as scientific and natural stores and the capacity of these stores was 34,300 metric tons of them store No. 10 as a scientific and natural store and the store No 09 as a natural store had been modernized under the pilot project relating to the construction of scientific stores in the years 2012 and 2013. Thereafter store No 07 and 08 in the years 2016 and 2017 and store No 01 and 13 in the years 2018 and 2019 had been innovated. Accordingly, a sum of Rs.292,311,945 had been spent for such innovation during the period from 2012 to 31 December 2019. Even though 3 innovated stores with the capacity of 16,700 metric tons had been rented to another entities, information relating

to the years 2021 and 2022 in respect of the used capacity of other 03 stores with the capacity of 17,600 metric tons was not made available to audit.

- (d) The capacity of 3 stores at Pallekele, Kaduruwela store No. 01 and Vavunia store No01 belong to the Food Commissioners Department amounts to 5155 metric tons and according to the information made available to audit it was observed that those stores had been under dilapidated condition.
- (e) Information on the utilization of 08 stores with the capacity of 21,355 metric tons in the years 2021 and 2022 out of 24 stores with the total capacity of 75,010 metric tons, belong to the Food Commissioners Department was not made available to audit and it was observed that 03 stores with the capacity of 11,665 metric tons need to be repaired.

#### **3.4.4 Governments Buildings Given to External Parties on Lease Basis**

Certain State entities had given their buildings to the Government as well as private parties on lease basis. According to the information made available to audit, 123 buildings had been given to external parties during the past few years by 12 entities On lease basis. The following observations are made thereon

##### **(a) Assessment of lease rent**

According to the information made available to audit 10 public entities had given 87 buildings to external parties on lease basis but it was observed that the relevant rental value had not been assessed by the Department of valuation.

##### **(b) Giving buildings to private parties on lease basis**

According to the information made available to audit 85 buildings had been leased out to private parties by 08 state institutions and the value of lease rent had not be assessed out of 95 per cent of them. Lease rent had been assessed only 3 building leases of Hadabima Authority and one building of the National Food Promotion Board.

### **(c) Recovery of lease rent on appropriate time**

It was observed that the total outstanding rent recoverable as at 31 December 2021 from 66 stores belong to the Food Commissioner's Department and given to state and private entities on rent basis amounted to Rs. 109,476,039. This outstanding amount includes a sum of Rs. 36,647,433 receivable from 16 stores remained outstanding rent for over 03 months (Annex 02)

## **3.5 Management of State Building Properties**

### **3.5.1 Functions and Responsibilities of the Comptroller General's Office**

Since the non-availability of a separate institute to get the assets efficiently used, safeguarded maintained and protected with an efficient methodology and the effective use of non-financial is deteriorated the comptroller general office had been established on 07 March 2017 for the government non-financial assets management under the Ministry of Finance. The Comptroller General had been appointed with effect from 01 January 2018, to ensure the capital assets management efficiently. Its main functions include, the maintenance of a complete centralized information system on state non-financial assets being identified the resources not appropriately utilize, for strengthening the government development process ensure the efficient utilization of assets, compilation and implementation of policies on non-financial assets management. Expenditure incurred on salaries recurrent and capital for the fulfillment of above functions of the Comptroller General's office in the years 2018, 2019 and 2020 is as follows.

<b>Item</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Salaries wages and other employees benefits	23,158,376	18,000,636	14,529,309
Total recurrent expenditure	30,261,218	25,564,746	22,113,864
Total capital expenditure	343,250	1,765,505	1,079,585



The following observations are made in this regard

- (a) The approval cadre for the Comptroller General's Office as at 31<sup>st</sup> December 2020, the actual cadre and number of vacancies were 37, 30 and 07 respectively. Expenditure on salaries, wages and other employees benefits (incurred for the 03 years of 2018, 2019 and 2020 amounted to Rs. 14,529,309 Rs 18,000,636 and Rs. 23,158,376 respectively.
- (b) The functions of this office are stated as the utilization of government assets effectively, efficiently and economically accomplishment of leadership and the role of custody on management of non-financial assets belong to government and act as the center for information on state assets. In terms of Circular No. CGO/ASM/IDLI/01 of 12.03.2018 of the Comptroller General's Office, since it has been reported that the buildings constructed by Government entities had been abandoned by now without being made use of them, details of abandoned and work stopped buildings, enabling such buildings to use effective purposes had been called for the letter dated 28 July 2020 of the Comptroller General had stated that the entities which had not taken action in terms of that circular should present details expeditiously, as states in a meeting of the secretary to the Ministry of Financial Economic and Policy Development met on 13 March 2020. Accordingly it was observed that even though more than 02 years had elapsed being issued the relevant circular, the details of abandoned and work stopped building were not available with the Comptroller General's Office even by 24 December 2021, the date of audit.
- (c) For the purpose of reporting the information on the non- financial assets belong to the Government stated in the 2019 action plan, it was planned to prepare and submit a cabinet paper for the formalization of land and building management belong to the Central Government and other public institutions in the action plans of 2019 and 2020. However, since such action had delayed even up to the date of audit the purpose of the preparation of an assets register in respect on non-financial assets could not be achieved. The Comptroller General had stated that employee's

vacancies non-rendition of information by institutions and COVID – 19 pandemic had caused thereon.

### **3.5.2 Maintenance of a Data System on State Buildings**

For the whole state building management it is essential to maintain a data system thereon. By such a system unused buildings can be given to entities require buildings and also to minimize the uneconomic cost to be incurred in obtaining buildings on lease basis from private sector.

#### **(a) Formulation of a centralized data system for the government non-financial assets.**

Among the aims of the Comptroller General's Office the establishment of a broad centralized online data system and a management methodology are stated for the management of all government non-financial assets, comprising lands, buildings, motor vehicles, constructions, office equipment and furniture. Accordingly coordinating with the Integrated Treasury Management Information System (ITMIS) project for the formulation of an online data system for non-financial assets of all Government entities, in the action plan for 2019 and coordination with the Integrated Treasury Management Information (ITMIS) project for the formulation of an online centralized data system for non-financial assets of the Central Government in the 2020 action plan had been recognized. Nevertheless it is not yet recognized whether non-financial assets of all Government entities can be entered into the Integrated Treasury Management Information System (ITMIS) project and action had not been taken to establish necessary Technical facilities to maintain such a data system in the Comptroller General's Office.

**(b) Accuracy of the centralized data system maintains for the government non-financial assets.**

To obtain basic information on government non-financial assets, Assets Management Circular No. 01/2017 of 28 June 2017 and Circular No. 01/2017 (1) of 03 January 2020 had been issued. Since the delays in forwarding the details of non-financial assets during the specific period by public entities, it was observed that all data on state buildings are not available in the Comptroller General's Office.

**3.5.3 Assessment and Accounting of Building Properties.**

- (a) Regarding the accounting of non-financial assets Circular No. GFS/02 dated 24 June 2003 had been issued by the Department of State Accounts stated that all lands and buildings belongs to the Ministries and the Department should be assessed and accounted circular No. 271/2019 dated 3 December 2019 stated that. All non-financial assets should be properly identified and accounted at cost price or revaluation price and brought to accounts and finished by the year 2020.

The following observations are made in this regards.

- i. According to the information obtained from the letter No. SA/GFS/01/06/03 of 16 February 2021 issued by the Department of State Accounts in respect of assessment of lands buildings out of 214 Central Government entities, comprising, Ministries, Departments, Special Expenditure Units and District Secretariats, only 10 entities had assessed their all lands and buildings and completed the accounting of such values as at 31 December 2020 and it is observed that it is as low as 5 per cent level as detailed below.

S/N	Head	Name of institution
01	02	Prime Minister's Office
02	06	Office of the Public Service Commission
03	19	Office of the Leader of Opposition in Parliament
04	102	Ministry of Finance
05	149	Department of Industries

06	204	Department of Hindu Religious and Cultural Affairs
07	210	Department of Information
08	217	Department of Probation and Child Care Services
09	253	Department of Pensions
10	298	Department of Measurement Units, Standards and Services

- ii. By letter No. SA/GFS/01/06/03 of 17 February 2021 of the Department of State Accounts in respect of assessment of lands and buildings, the values of lands and buildings amounting to Rs.393,863,684,452 and Rs.185,221,484,657 respectively had been brought to accounts as at 31 December 2020 relating to 110 entities under the CIGAS programme. However, the value of buildings assessed relating to the following 17 institutions had not been brought to accounts via CIGAS programme as at 31 December 2020. Accordingly it was further observed that.

The follow up action in respect of accounting such values is insufficient as per details below.

S/N	Head	Name of institution
01	20	Elections Commission
02	105	Ministry of Mass media
03	193	Ministry of Labour
04	211	Department of Government Printing
05	215	Department of Technical Education and Training
06	216	Department of Social Services
07	228	Justice Administration
08	247	Sri Lanka Customs
09	260	District Secretarial – Nuwara Eliya
10	282	Department of Irrigation
11	283	Department of Conservation of Forest
12	284	Department of Wildlife Conservation
13	304	Department of Meteorology
14	309	Department of Buildings
15	311	Department of National Physical Planning
16	331	Department of Samurdhi Development
17	421	State Ministry of Skills Development, Vocational Education, Research and Invention

- iii. The responsibility of the supervision and coordination of the assessment and accounting process of the buildings remain under the Ministries and Departments of the Central Government are entrusted to the Department of

State Accounts. Among the activities expected to be performed in its action plan it is stated that by directing reminders to the Government entities which had not taken action to assess lands and buildings, follow up action will be taken. According to the information made available audit there are 111 Government entities had referred the details to the department of valuation for assessment and lands and buildings are been further assessed as at 31 December 2020. There are 33 Government entities which had not reported the details of the existing land and buildings for valuation to the Department of State Accounts as well.

iv. According to the above matters it was observed in audit that the issues effected in the valuation and accounting of lands and buildings include certain public entities still do not identify the ownership of lands and building belong to them non availability of documents such as title deeds transfer certificates plans etc. For the assessment of lands and building dearth of human resources in the Valuation Department, resulting delays in issuing valuation reports, lands and buildings presented by ministries to the Valuation Department for assessment could not be identified to which Ministry they belong to along with the change of ministries and their portfolios from time to time.

(b) As revealed in the test examination, according to the information presented by the letter no. RDA/DIA/001 of 26 February 2019, the letter No.RDA/DIA/001 of 26 December 2018, the letter No. RDA/DIA/001 of 09 November 2018 and the letter dated 21 November 2018 of the director of Internal Audit of the Road Development Authority, a large number of office buildings, circuit bungalows and official quarters handed over to the Road Development Authority, after completed foreign aid projects had not been brought to accounts and included in the assets register. The following observations are made in this connection.

i. It was observed that the value of 37 trade stalls situated In Borella and Central Province belong to the Road Development Authority had not been posted to the financial statements being assessed the values. It is further observed that this matter had been reported in the audit reports for 2017

and 2018 as well but the value of such trade stalls is not shown in the financial statements.

- ii. A building costing rs.6.7 million situated near the road from Wetiya to Andara Wewa had been directly handed over to the stage II of southern express way extension from stage III project of the southern express way extension but this building had not been entrusted to the Road Development Authority and brought to accounts.
  - iii. According to the financial statements of the southern express way project (STDP) as at 31 December 2018 presented the value of 3 interchange centers costing Rs.6.86 million had not been taken to accounts of the authority.
  - iv. Since the non-availability of a system to identify the building specifically and not indicated the extent of the building premises in the register of fixed assets maintained by the Road Development Authority, the information could not be reconciled with the information rendered by provinces. Accordingly, the number of buildings relating to 5 executive engineers offices within the Uva Province amounted to 105. The extent of building premises and the approximate value amounted to 87,780 square feet and Rs.210.5 million respectively, but only a building valued at 9.5 million had been noted in the register of fixed assets relating to the Uva Province.
- (c) In accounting the value of buildings there was a plan to comply with Sri Lanka public sector accounting standards and awareness of accounting standards to improve the computer literacy and to conduct training programmes for the ITMIS programme users but the number of scheduled training programmes have not been included in the action plan (2019). Information on the conduct of training programmes for officers during the year had been called for by letter No. PER/A/2020/GB/01 dated 01 August 2021 in the reply letter dated 29 October 2021 stated that the project director was informed to give relevant information but such information was not made available to audit even up to 17 November 2021.

#### **4. Recommendations**

- 4.1 Establishment of a National Policy on state buildings
- 4.2 In designing new buildings, being considered the future vision and function of the entity in terms of the building regulations of the Urban Development Authority, framing building plans to suit such requirements and considering friendly environment and use of minimum energy.
- 4.3 Totally comply with procurement guidelines in taking buildings on rent or lease.
- 4.4 Expedite the establishment of the Integrated Treasury Management Information System, having being considered the current requirements.
- 4.5 Expedite updating the data system exists under the comptroller general on the monitoring of non-financial assets and formalization of the supervisory process thereby.
- 4.6 Formulation of guidelines for the identification of building requirement appropriately in accordance with the purpose for which the building of used, staff engage therein the nature of equipment used etc. in the construction, purchase or leasing of a building.
- 4.7 In the management of space in the state buildings of public entities, introduction of space allotment standards being specifically approved.
- 4.8 taking necessary action to supervise timely the shortages and excesses of space within the state buildings by maintaining data and information about the state own buildings.
- 4.9 Settlement of problems associated with the ownership of buildings.

- 4.10 Taking action to maintain and update the value of buildings being included in the accounting systems of the relevant entity after being assessed the value of buildings belongs to government entities by the Department of valuation.
- 4.11 Paying more attention on facilities for its clients, handicapped access facilities, vehicle parking facilities in the construction or hiring buildings.
- 4.12 Taking action to obtain the certificate of conformity from the urban development authority being completed the construction in terms of building regulation.
- 4.13 Since the new building constructions are Limited, against the existing economic crisis economically use existing buildings in the fulfillment of building requirements.
- 4.14 Effective utilization of buildings having being entered the information of all state buildings into a single data system.

**Sgd./W.P.C. Wickramaratne**  
**Auditor General**

W. P. C. Wickramarathne

Auditor General



## Public Entities Replied to Information Called for Audit

	Nature of entity	Name of entity	No. of building utilizations
	Ministries		
1		Ministry of Public Administration Home Affairs, Provincial Councils and Local Authorities	01
02		Ministry of Small and Medium Scale Enterprises and Entrepreneur Development	02
03		Ministry of Sports and Youth Affairs	08
04		Ministry of Youth and Sports	05
05		Ministry of Education	01
06		Ministry of Higher Education	02
07		Ministry of Women and Child Affairs and Social Security	03
08		Ministry of Transport Services Management	02
09		Ministry of Finance, Economic and Policy Development	01
10		Ministry of Tourism and Aviation Services	01
11		Ministry of Urban Development, Water Supply and Housing Facilities	39
12		Ministry of Lands and Lands Development	01
13		Ministry of Industrial Exports and Investment Promotion	03
14		Ministry of Justice, Human Rights and Law Reforms	46
15		Ministry of Buddhasana, Religious and Cultural Affairs	01
16		Ministry of Roads and Highways	02
17		Ministry of Health	02
18		Ministry of Fisheries and Aquatic Resources	01
19		Ministry of Plantation Industries and Export	02

		Agriculture	
20		Ministry of Environment	01
21		Ministry of Mass Media	01
22		Ministry of Provincial Council of Local Government Affairs	01
23		Ministry of Skills Development, Employment and Labor Relations	01
24		Ministry of Mahaweli, Agriculture, Irrigation and Rural Development	61
25		Ministry of Ports and Shipping	01
26		Ministry of Power and Energy	01
27		Ministry of Community Empowerment and Estate Rural Infrastructure Development	01
TOTAL			186
	<b>Departments</b>		
01		National Intellectual Property Office of Sri Lanka	01
02		Trade Nautical Secretariat	02
03		Departments of Examinations of Sri Lanka	01
04		Department of Education Publications	08
05		Sri Lanka Planetarium	01
06		Department of Government Information	01
07		Medical Supplies Division	04
08		Bio Medical Engineering Services Division	01
09		Anti – Malaria Campaign	01
10		Health Promotion Bureau	02
11		Anti – Leprosy Campaign	01
12		Anti – Filarial Campaign	01
13		Anti – Tuberculosis, Chest Diseases Campaign	05
14		Sexually Transmitted Diseases Control Programme	01
15		Vidatha Resources Centre	176
16		Department of Government Printing	02

17		Zoological Department	05
18		Department of Buddhist Affairs	06
19		Department of Hindu Religious and Cultural Affairs	01
20		Department of Christian Religious Affairs	01
21		Department of Muslim Religious Cultural Affairs	01
22		Department of Cultural Affairs	13
23		Department of National Museums	17
24		Department of Community Water Supply	36
25		Epidemiology Division	01
26		National Mental Health Institute	01
27		Family Health Bureau	01
28		Department of Manpower and Employment	02
29		Labor Compensation Commissioner's Office	01
Total			294
	<b>Corporations</b>		
01		Sugathadasa National Sports Complex Authority	01
02		Sri Lanka Port Authority	02
03		National Transport Commission	03
04		National Council for Road Protection	01
05		State Timber Corporation	34
06		State Trading Corporation	11
07		National Water Supply and Drainage Board	05
08		Ceylon Electricity Board	01
09		National Enterprise Development Authority	01
10		Central Environment Authority	24
11		Rupavahini Corporation	01
12		National Film Corporation	03
13		Sri Lanka Mahaweli Authority	99
14		Agricultural and Agrarian Insurance Corporation	24
15		Hadabima Authority	04

16		Paddy Marketing Board	11
17		National Food Promotional Board	07
18		Sri Lanka Sustainable Energy Authority	03
19		Automatic Energy Authority	01
20		Coconut Development Authority	04
21		Small Tea Holding Development Authority	95
22		Sri Lanka Press Board	01
23		Laksala	24
Total			420
	<b>Universities</b>		
01		Buddhist and Pali University of Sri Lanka	03
02		Post Graduate University	01
03		Post Graduate Institute of English Studies	01
04		Post Graduate Institute of Archaeology	01
05		Kandy Higher Technological Institute	02
06		Institute of Aesthetic Art	04
07		Gampaha Wickramarachchi Ayurvedic College	01
08		University of Colombo school of computing	01
09		Medicine Post Graduate Institute	02
10		University of Colombo	06
Total			22
	<b>Statutory Bodies</b>		
01		National Institute of Business Management	06
02		National Centre for Leadership Development	05
03		National Centre for Humanities and Social Services Higher Education	01
04		Sri Lanka Standards Institute	02
05		National Library and Documentation Services Board	01
06		University Grants Commission	03
07		Arther C Cleark Centre for Modern Technology	01
08		Right to Information Commission	01

09		National Craft Council	05
10		National Design Centre	02
11		Geological Survey and Mines Bureau	25
12		Public Dance Censor Board	01
13		Bandaranayake Memorial Hall	20
14		J. R. Jayawardhane Centre	08
15		Inter Statutory Board for a Hill Country Heritage Protection	01
16		Towerhall Theatre Foundation	05
17		Arts Boards	01
18		Janakala Kendraya	10
19		Galle Heritage Foundation	01
20		Nelumpokuna Mahinda Rajapakshe Theatre	01
21		Sri Lanka Foundation Institute	01
22		Sri Lanka Institute for Local Governance	01
23		Central Engineering and Consultancy Bureau	12
24		Agricultural Research Policy Council of Sri Lanka	01
25		National Post Harvest Management Institute	08
26		Hector Kobbakaduwa Agrarian Research and Training Institute	01
27		National Transport Medical Institute	25
28		Sri Lanka Conference Bureau	01
29		Sports Medical Institute	01
30		National Sport College	01
31		Sri Lanka Stimulus Control Agency	01
Total			153
	<b>State Companies</b>		
01		Lakdiwa Engineering (pvt) Ltd	01
02		Independent Television Network	01
03		Colombo Commercial Fertilizer Ltd	07
04		Lanka Fertilizer Co. Ltd	12

05		G. S. M. B. Technical Services (pvt) Ltd	04
06		Salsine Television Network	01
07		Sri Lanka Shipping Corporation Ltd	01
08		Lanka Electricity (pvt) Ltd	40
09		Lanka Coal (pvt) Ltd	01
10		Kalubovitiyana Tea Factory (pvt) Ltd	05
Total			73
	<b>Projects</b>		
01		Colombo Suburban Railway Project	01
02		Matara Kataragama Railway Project Office	01
03		Wayamba University City Development Project	01
04		Kurunegala Habarana Railway Project	01
05		National Design Centre Project Office	01
06		Ape Gama Project	01
07		Provincial Road Development Project	01
08		Secondary Cities Sustainable Development Project	01
09		Greater Colombo Waste Water Management Project	01
10		Rural Infrastructure facilities Development Project rising Zones, by which funds were provided by JAICA	07
11		Rural Bridge Project	01
12		Pura-naguma (Local Authorities Improvement Sector Project)	01
Total			18

**Details of Outstanding Stores Rent Receivable from Stores Belong to the Food Commissioner's Department as at 31<sup>st</sup> December 2021, Given on a Lease Basis.**

S/N	Name of Store	Name of Lease	Value of Outstanding Lease Rent as at 31 <sup>st</sup> December 2021. Rs.	Period of Lease Rent Outstanding for more than 3 Months
01	Store No 02 - Veyangoda	Able Holding (pvt) Ltd	460,000	2021.08.01- 2021.12.31
02	Store No 04 - Veyangoda	Healthyfla (pvt) Ltd	3,879,529	-
03	Store No 17 - Veyangoda	Central Engineering	77,963	01.07.2021- 31.12.2021
04	(G1) Store - Malkaduwawa	S. B. M. W. Bandaranayake	200,000	
05	Store No 1,2 - Malkaduwa	K. M. M. Seyd Mohomad	283,000	
06	Store No 01 - Katugoda	Trico Maritime (pvt) Ltd	629,760	2021.05.01- 2021.12.31
07	Store No 02 - Katugoda	Trico Maritime (pvt) Ltd	281,535	2021.07.01- 2021.12.31
08	Store No 01 - Weligama	Piyasiri Store	172,200	
09	Senanayake Store 1,4	Inter Furmers (pvt) Ltd	970,245	
10	Kahawatta Store	Pannilpaththu M. P. C. S	1,234,524	2018.04.01- 2021.12.31
11	Store No 1, 2, 3 Ehaliyagoda	Ehaliyagoda E. P. C. S.	294,000	
12	Lipton Store	Hputhale M. P. C. S.	95,000	
13	Hunupitiya Store	Suneetha Gunasinghe	9,774	
14	Store No. -1, 2, 3- Blackpool	Agriculture Co-Operative Society	1,503,780	2021.05.01- 2021.12.31
15	Store No 01-Mathale	S. Mohomad Asruff	1,778,056	
16	Tangalle Kahandawa Land	Miyami Export (pvt) Ltd	362,660	2021.05.01-

				2021.12.31
17	Tangalle Kahandawa Land	Miyami Export (pvt) Ltd	452,871	2021.04.01– 2021.12.31
18	Store No - opanayake	E. L. F. C. Engineering Pelmadulla	80,744	
19	Katugasthota Store	Trens Marting	7,536,791	2020.03.01– 2021.12.31
20	Badulla Store	C. E. B	279,845	2021.06.01– 2021.12.31
21	Rathnapura Store	Bambarabotuwa M. P. C. S.	318,986	
22	Store No. 03 - Ratnapura	Lanka C. W. E.	3,724,020	2021.04.01– 2021.12.31
23	Thudugalawatta Store	Lanka C. W. E.	191,095	2021.08.01– 2021.12.31
24	Store No 09 - Veyangoda	Sanmik Foods	715,687	2021.03.01– 2021.12.31
25	Store No 13 Veyangoda	CBL Global Foods	364,119	
26	Store No 1,2,3, Batticaloa	Brandix Apparels	2,473,807	
27	Store No 12 - orugodawatta	Sri Lanka Customs	3,655,985	2021.02.01– 2021.12.31
28	Garaj in the Orugodawatta – Store, Office Room, Water Tanks	Rank Containers Terminals	333,029	
29	Store No 10, 14, 15, 16 Lands	Rank Containers Terminals	12,210,864	2021.10.01- 2021.12.31
30	Store No 01 Orugodawatta	Rank Containers Terminals	3,311,419	
31	Store No 03 - Orugodawatta	Rank Containers Terminals	3,330,053	2021.10.01- 2021.12.31
32	Store No 05 - Orugodawatta	Rank Containers Terminals	1,840,427	
33	Parts of Canteen	S. L. Milk Feduration Ltd	38,607	
34	Parts of Canteen	G. A. Ranjith Kumara	674,584	
35	S. A. D. Anura Shantha	Food Department canteen	3,000	



36	Store No 01 palle kele	M. R. M. Shalim	806,447	
37	Store No 06 - Narahenpita	Sri Lanka Consumer Corporative Society	352,181	
38	Store No 05 Veyangoda	Aththanagalle Distribution Process	56,632	
39	Senanayake Store No 02	S. L. Army	116,308	
40	Store No 01 Rathmalana	J. A. Salam	442,298	
41	Koggala Store	Southern Development Authority	470,174	
42	Store No 09 - Veyangoda	Don Munig Lanka (pvt) Ltd	823,461	
43	Meddawatta Store	Sisira Apparels	293,378	
44	Badulla Stores	S.L. Cooperative Society	571,499	
45	Store No 02-Kakirawa	Plenty Food (pvt) Ltd	3,448	
46	Senanayake Store No 03	Wickramarathne (pvt) Ltd	140,985	
47	Meddawatta Store	S.L. Cooperative Society	105,945	
48	Store No 1,2,3, paragammana	Vijitha Group (pvt) Ltd	541,018	
49	Store No 05-Weyangoda	My of Culture	137,649	
50	Malkaduwwa Office Room	Nikawaratiya Green Vally	2,298,030	
51	Store No 08 Orugodawatta	State Ministry	2,851,528	
52	Store No 06 Orugodawatta	State Ministry	6,102,557	
53	Store No 03 Orugodawatta	Education and Publication Department	770,921	
54	Store No 05 Orugodawatta	Icon Distribution	695,777	
55	Pallekale Store	S. M. Dharmasena	7,434,129	
56	Store No 01 Orugodawatta	Business S. R. C. (pvt) Ltd	4,979,543	
57	Store No 01- Opanayake	Lal Store	50,027	
58	Store No 05 - Orugodawatta	Heyles Agriculture	1,753,869	
59	Orugodawatta Office Room	Heyles Agriculture	35,190	
60	Store No 16 Veyangoda	C. W. E.	221,228	

61	Store No 10 Weyangoda	C. W. E.	1,731,348	
62	Orugodawatta No 09	C. W. E.	5,150,037	
63	Orugodawatta No 06	C. W. E.	6,141,534	
64	Orugodawatta No 03	C. W. E.	6,141,534	
65	Store No 02 - Gettuwana	C. W. E.	1,995,273	
66	Store No 09 Weyangoda	C. W. E.	2,494,128	
Total			109,476,039	