

Report of the Auditor General on Head 310 – Government Factory – Year 2015

The audit of the Appropriation Account, Commercial Advance Account, Stores Advance Account and the Reconciliation Statements including the financial records, books, registers and other records of the Head 310- the Government Factory for the year ended 31 December 2015 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Government Factory on 17 October 2016. The audit observations, comments and findings on the Accounts and the Reconciliation Statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account, Commercial Advance Account, Stores Advance Account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements, whether due to fraud or error.

2. Accounts

2.1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Government Factory amounted to Rs.231.58 million and out of that, Rs.162.32 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Government Factory amounted to Rs.69.25 million or 29.90 per cent.

Expenditure	As at 31 December 2015			Savings as a Percentage of the Net Provisions
	Net Provision	Utilization	Savings	
	Rs.Millions	Rs.Millions	Rs.Millions	
Recurrent	79.38	75.57	3.81	4.80
Capital	152.20	86.76	65.44	43.00
Total	231.58	162.33	69.25	29.90

2.2 Advance Accounts

2.3.1 Advances to Public Officers Account

Limits Authorized by Parliament

Limits authorized by Parliament for the Advances to Public Officers Account, Item No.31001 of the Government Factory and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
28.63	20.82	20.63	25.10	128.00	81.40

2.2.2 Stores Advance Account

Limits authorized by Parliament for the Stores Advance Account, Item No.31002 of the Government Factory and the actual amounts are given below.

Expenditure		Receipts		Debit Balance		Credit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Minimum Limit	Actual
Rs.Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
120.00	116.87	120.00	124.88	80.00	59.49	20.00	-

2.2.3 Commercial Advance Account

(a) Limits Authorized by Parliament

Limits authorized by Parliament for the Work Done Advance Account, Item No.31003 of the Government Factory and the actual amounts are given below.

Expenditure		Receipts		Debit Balance		Credit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual	Minimum Limit	Actual
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
308.00	304.90	280.00	341.13	180.00	123.30	5.00	2.26

(b) Financial Results

Financial results of the Work Done Advance Account, Item No.31003 of the Government Factory had been as follows.

Financial Results			
2015		2014	
Profit excluding Hypothetical Charges	Profit including Hypothetical Charges	Profit excluding Hypothetical Charges	Profit including Hypothetical Charges
Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
4.29	4.09	8.07	7.87

2.3 Imprest Account

The balance of the Imprest Account No. 7002/0000/00/0043/0015/000 of the Government Factory as at 31 December 2015 amounted to Rs.18.62 million.

2.4 General Deposit Accounts

The balances of 05 General Deposit Accounts of the Government Factory as at 31 December 2015 totalled Rs.26.09 million. Details appear below.

Deposit Account Number	Balance as at 31 December 2015
	Rs. Millions
6000/0000/00/0008/0046/000	24.03
6000/0000/00/0001/0064/000	1.33
6000/0000/00/0002/0082/000	0.49
6000/0000/00/0013/0054/000	0.05
6000/0000/00/0016/0034/000	0.19
Total	26.09

2.5 Audit Observation

The Appropriation Account, Commercial Advance Account, Stores Advance Account and the Reconciliation Statements for the year ended 31 December 2015 of the Government Factory have been prepared satisfactorily subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1.1 above. The material and significant Audit Observations out of the Audit Observations included in the said Management Audit Report appear in paragraph 3.

3. Material and Significant Audit Observations

3.1 Appropriation Account

The following observations are made.

(a) Budgetary Variance

The following observations are made.

- (i) Excess provision had been made for 03 Objects and as such the savings, after the utilization of provision, ranged between 38 per cent and 78 per cent of the net provision relating to the respective Objects.
- (ii) The Department had made provision by allocating Supplementary Estimates without a proper study and as such, the savings out of additional provision made for 02 Objects, had been 100 per cent and 98.40 per cent.
- (iii) Contrary to the Financial Regulation 94(1), the Department had incurred commitments amounting to Rs.15,418,713 which exceeded savings by Rs.3,418,713, after utilization of provision made for 04 Objects.

3.2 Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 relating to the Advances to Public Officers Account Item No. 31001.

- (a) The outstanding balances of the officers who had retired, vacated the post and who had been interdicted as at 31 December 2015 totalled Rs.2,851,233 and those outstanding balances remained over periods ranging from 01 year to 14 years. Nevertheless, the follow-up action on the recovery of those outstanding balances had been at a weak level.
- (b) Information in respect of unadjusted sum of Rs.15,800 shown in the Control Account had not been made available to Audit.

3.3 General Deposit Account

Action in terms of Financial Regulation 571 had not been taken on 11 deposits totalling Rs.241,696 older than 2 years.

3.4 Good Governance and Accountability

3.4.1 Annual Procurement Plan

The Annual Procurement Plan in terms of National Budget Circular No. 128 of 24 March 2006 had been prepared after 2 months of beginning of the year of accounts.

3.4.2 Internal Audit

The Department had not established an Internal Audit Unit.

3.5 Non-compliances

Four cheques valued at Rs.9,989 issued over a period of 06 months relating to a Bank account of the Department had not been submitted to the Bank even by 31 December 2015. The Department had not taken action in terms of the Financial Regulation 396(d) in respect of those cheques. According to the Books of the Department relating to that Bank Account, a difference of Rs.115,749 in the cash balance had been remaining since December 2014. Nevertheless, the Department had not taken action to rectify that difference.

3.6 Performance

According to the Action Plan for the year 2015, sixteen Projects valued at Rs.610 million should have been completed by the end of the year under review. Out of that, 03 Projects had been completed. The progress of other 13 Projects ranged from 2 per cent to 80 per cent.

3.7 Human Resources Management

Approved Cadre and Actual Cadre

Cadre position as at 31 December 2015 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i)	Senior Level	21	17	04	-
(ii)	Tertiary Level	07	05	02	-
(iii)	Secondary Level	156	128	28	-
(iv)	Primary Level	434	339	95	-
(v)	Other (Contract Basis)	-	01	-	01
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	Total	618	490	129	01
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