

## **Head 310 - Department of Government Factory**

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Department of Government Factory –Head 310 for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summery report including my comments and observations on these financial statements was issued to the Accounting officer of Department of Government Factory in terms of Section 11(1) of the National Audit Act, No.19 of 2018 on 30 May 2023. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 07 June 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No.19 of 2018 is presenting to Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Government Factory as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

#### **1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements**

The Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act, No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

<b>Reference to the previous year Paragraph</b>	<b>Recommendations which not implemented</b>	<b>Reference to this year Paragraph</b>
1.6.1 (b)	The cost of stock issued in the stores advance account should be calculated correctly as per the accounting principles.	1.6.1 (c) (ii)

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

- (a) **Reconciliation Statement of the Advances to Public Officers Account.**

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) Cash receipts of advances under Advances to Public Officers as per Form ACA-5 of the financial statement was Rs.39,800 and cash receipts of advances in Treasury Form SA-52 was Rs.18,672,188. Therefore, it was observed that there was a difference of Rs.18,632,388 between the two cash advance formats. Also, as per the ACA – 5 form of the financial statement, the credit through cross entries under advances to public officers was Rs.20,688,652 and the credit through cross entries as per the	The values shown separately in cash and cross entries as per CIGAS programme, are shown in ACA-5 form. The value of Rs.18,632,388 which was the difference in advance receipts in cash and the difference in advance receipts by cross entries, should be added to the cash column and subtracted from the cross entries column.	That the receipts by cash and cross entries to advances to public officers should be accurately recorded as per Public Accounts Guidelines.

treasury form SA - 52 was Rs.2,056,264, therefore a difference of Rs.18,632,388 was observed. Thus, a difference of Rs.18,632,388 was observed between receipts in cash and through cross entries between forms ACA-5 and SA-52.

- (ii) Cash advances payment under Advances to Public Officers as per Form ACA-5 of the Financial Statement were Rs.5,450 and as per Treasury Form SA-52 the figure was Rs.2,944,250. Also, advance payments by cross entries under advances to public officers in ACA-5 form was Rs.5,770,437 and as per SA-52 treasury form the balance was Rs.2,831,637, therefore, a difference of Rs.2,938,800 was observed. Thus, difference of Rs.2,938,800 each were observed between the two forms of advance payments in cash and through cross entries.

Difference of Rs.2,938,800 in Cash Advance Payments and Cross Entries should be added to the cash column and subtracted from the cross entries column.

That the payments by cash and cross entries should be accurately recorded as per Public Accounts Guidelines.

Action will be taken to correct in the future financial statements.

**(b) Work Done Advance Account**

Following observations are made in this regard.

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Out of the amount of Rs.16,891,719 which was the balance of the excess received account from debtors since 2018, a debtor balance of Rs. 10,030,152 existing from the year 2009 had been offset in the year under review. It was observed that this offset was	After deducting the amount received in respect of the work sheet mentioned in the PIV from the relevant debtor account, the remaining amount will be temporarily credited to this account when there is no more debtor balance. Later, when necessary, this account will	That only the accounting errors should be offset between debit and credit balances after specifically and accurately identification.

done without any basis as the offset balance was not a balance applicable to the overdrawn debtor.

be removed by accounting adjustments and deducted from the relevant debtor account. Due to the fact that there is no debtor balance for those works so far and it has to be shown in the balance sheet as an excess receipt from debtors, the adjustment was made through this account through an actual non-debtor balance caused by accounting errors in the year 2009.

- (ii) According to the statement of financial position as at 31 December 2022, the amount of debtor balances in the years 2008 and 2009 was Rs.36,941,553, but according to the committee report approved by the Secretary of the Ministry for write-off, the amount of debtors in the years 2008 and 2009 was Rs.4,045,992. In spite of that, the above-mentioned total balance of Rs.36,941,553 related to the years 2008 and 2009 in the financial statements had been fully written off.

approval for the balances with files had been sought by the letter WD/04/DE/credit committee/2021 and dated 29 March 2022 and for that approval has been received through letter No. 2/2/08/08-2022 dated 06 April 2022. Approval has been sought for balances without files, through letter No. WD/04/DE/credit committee /2021 dated 24 March 2021 and for that approval has been received through letter No. 2/2/08/05-2021 dated 31 March 2021. Accordingly, approval has been received for all the balances of these 2 years.

As it was informed in the letter No.2/2/08/05-2021 dated 31 March 2021 that the approval of the Public Finance Department should be obtained for the balances that do not have files, that it should be done accordingly.

**(c) Stores Advance Account**

Audit Observation	Comments of the Accounting Officer	Recommendation
(i) Although the value of the materials issued from the stores advance account to the work done advance account was shown as Rs.204,588,585 in the work	The issue value of Rs.204,647,488 of the stores advance account is prepared from the total of the monthly issue value and the adjustments made by the transfer slips for the issues.	That the value of materials transferred between the Stores Advance Account and the Work done Advance Account

done advance account, a difference of Rs.58,903 was observed between these two accounts as the value of issues in the stores advance account was shown as Rs.204,647,488.

The stationery value of Rs.44,838 was not included while recording the issue value in the statement of disclosures in the work done advance account. Also, the amount of Rs.14,065 made in the stores advance account for issues is also not included in the said disclosure statement. The difference of Rs.58,903 is made up of the total of those two values.

should be correctly adjusted between the two accounts.

(ii) A value of 10 per cent should be added to the cost and stock should be issued, and accordingly the cost of stock issued in the year under review should be Rs.182,558,190. But according to the financial statements, it was observed that the cost of issued stock was Rs.174,236,395 and therefore, the value of issued stock in the reviewed year was understated by Rs.8,321,795.

Kindly inform that the difference between the issue values will be adjusted while preparing the stores advance account for the year 2023.

As per the accounting policies, the issued stock should be accurately calculated and accounted for.

**(d) Non-maintenance of Registers and Books**

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

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(i) <b>Register of Losses and Damages</b> The information about the accident that happened on 29.11.2021 for vehicle number PD-9101 was not included.</p>	<p>Temporary information regarding the accident which occurred on 29.11.2021 for vehicle No. PD-9101 has been submitted on 20.02.2023. The value of the damage is Rs.43,456 and the amount has been covered by insurance.</p>	<p>Should be maintained in an updated manner as per Financial Regulation 110.</p>

(ii) **Personal Emoluments Register**

A Personal Emoluments Register had not been maintained in an updated manner.

A Personal Emoluments register was not maintained for the year 2022 and arrangements have been made to maintain a Personal Emoluments register in the year 2023.

That a Personal Emoluments register should be maintained as per the 17th Treasury and Audit Form in accordance with Financial Regulation 453.

(iii) **Register of Liabilities**

A Liability register had not been maintained in an updated manner.

A Liability register was not maintained for the year 2022 and arrangements have been made to maintain a Liability register for the year 2023.

A register of liabilities should be maintained in terms of Financial Regulation 214, so that the liabilities can be checked regularly.

(e) **Lack of Evidence for Audit**

Audit evidence was not submitted in respect of the following transactions.

<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
(i) Due to the fact that the detailed schedule related to the expenditure of Rs.1,682,924 incurred from the depreciation fund in the work done advance account during the year under review was not submitted to the audit, it could not be satisfactorily scrutinized during the audit.	Detailed information about this account cannot be found in the files we have.	The management is responsible for maintaining detailed schedules relating to balances and transactions included in the financial statements.
(ii) No any approval presented to audit regarding the write-off of debtors worth Rs. 53,161,909 in relation to the advance account of work done in the year 2021.	A copy of the relevant approval for write-off by adjusting the Debtor Accounts has been submitted herewith.	The relevant consent for the debtors written off in the year 2021 should be submitted for audit
(iii) The detailed schedules related to the machinery valued at Rs.16,467,739 and the wooden equipment valued at Rs.765,283 which had been	No detailed information regarding this can be found in the files available with us and this purchase value was found from the final	Relevant detailed schedules should be maintained for the balances in the financial statements.

purchased in the years 2012 and 2013 had not been submitted to the audit, therefore the said machinery could not be satisfactorily verified in the audit.

accounts of the work done advances of those years. Detailed information was not included in that.

(iv) As code numbers had not been used to enable physical identification, office equipment, furniture, computer equipment, electrical equipment and industrial and manufacturing equipment value of Rs.284,896,200 mentioned in ACA – 6 form and SA – 82 treasury forms in the financial statement could not be satisfactory verified in audit.

The financial statement includes a combination of ACA – 6 form and SA – 82 and is detailed in the Cigas Non-Financial Assets Report.

Code numbers should be used to identify non-financial assets separately.

## 2. Financial Review

### 2.1 Unauthorized Working Capital Loss

There were some instances where approval of Parliament had not been obtained on the following working capital losses.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to F.R. 513, the unauthorized working account loss in the work done advance account (31003) as at 31 December 2022 had been Rs.70,758,133.</p> <p>In this regard, according to the profit and loss account prepared on 30 November 2022, the net loss was Rs. 32 million and Although a request had been made for provision of Rs.150 million to the expenditure subject 310-2-1-0-1701 for the estimated loss as on 31 December 2022, by the Director General of the</p>	<p>Not commented.</p>	<p>Action should be taken to obtain approval for provisions before the end of the financial year and arrangements should be taken to settle the working capital losses.</p>



Department of Government Factory (Acting) addressed to the Director General of the Department of National Budget from the letter No. 2C / limit amendments / 365/ 02/ (2022-2025) dated 16 December 2022, it was observed that the provision was not made to meet the working capital losses up to 19 May 2023.

## 2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that liabilities worth Rs.1,191,508 were not included in the statement of liabilities and commitments included in the financial statement.	Since the water, electricity and telephone bills related to the month of December 2022 receive to the payment department in the month of January 2023 and the actual cost of the water, electricity and telephone bills as at 31.12.2022 received in the second week of January 2023, was practically difficult to include in the liability report, so the approximate values are given in the liability statement.	That all liabilities related to the year should be included in the liability statement.

## 2.3 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been done so.

Audit Observation	Comments of the Accounting Officer	Recommendation
The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the	An effective internal control system has been prepared regarding the financial control of this institution and it will be arranged through the Audit Management Committees to	That the provisions of Section 38 of the National Audit Act No. 19 of 2018 should be followed.

Department of Government Factory and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.

carry out the quarterly review in writing and the progress will be forwarded to the Auditor General in writing.

#### 2.4 Advances to Public Officers Account

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to Section 3.2 of the National Budget Circular No. 118 dated October 11, 2004, the balance due from the transferred officers shall be recovered at once from the respective transferred office. Nevertheless, the distress loan balance of Rs.138,300, which should have been collected for more than 05 years from an officer who was transferred to Colombo Municipal Council on 11 April 2016, has been recovered in installments since January 2022 and it was observed during the audit that it was not possible to recover even in installments after August 2022.	The Colombo Municipal Council has been notified by letter No. 2P/විවිධ කොටස/2023/01/09 dated 09 March 2023 to pay and settle the loan balance of this officer at once and further steps are being taken to recover the said loan.	Necessary measures should be taken to recover the arrears loan balance promptly.
(b) Although, if an officer retires before the loan is paid, the outstanding loan amount shall be recovered from the officer's	The loan balance of the officers who compulsorily retired on the ground of inefficiency is to be settled by	Necessary measures should be taken to recover the arrears loan balance promptly.

gratuity or otherwise from the officer's monthly pension, loans amount of Rs.1,312,931 had not been recovered from 13 officers who had retired on 31 December 2022 and had been retired for periods ranging from 03 months to 05 years.

way of retirement gratuity after the said officers attain the age of 55 years.

- (c) A loan amount of Rs.145,650 which was to be recovered from an officer who was suspended as at 31 December 2022, which was over 05 years, was not recovered during the year.

Although letters have been submitted to the Department of Public Finance with the recommendations of the Secretary to the Ministry to write off the loan balance, they have been told to take further steps to recover the loan balance. Therefore, we have informed the legal assistant of the department to deal with this recovery.

Necessary measures should be taken to recover the arrears loan balance promptly.

- (d) It was observed during the audit it was remained unrecoverable of loan balances of Rs.573,080 for more than 05 years from 11 officers who left the service and Rs.186,410 from 01 to 05 years from 03 officers.

Two of the 11 officers whose loan balances are more than five years old are currently paying installments. Legal action is expected to be taken against the remaining 09 officers and out of the three officers between 1 and 5 years, one officer is currently making payments in installments and the address of one officer cannot be found. The other officer has also paid several installments and has asked to pay the remaining amount immediately.

Necessary measures should be taken to recover the arrears loan balance promptly.

## 2.5 Financial Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that the settlement of the debtor balances is in a very weak condition as the debtor balance in the work done advance account as at 31 December 2022 was Rs.536,724,700 and the outstanding debtor balance between 01 and 10 years was Rs.310,357,322.	Arrangements have been made to present this debtor balance to the existing debtor balance reconciling committee for identification and action.	That the formal and adequate steps should be taken to recover outstanding loan balances.

## 2.6 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Observation			
Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) F.R. 571	A list of overdue deposits was not prepared at the end of each half year.	A list of overdue deposits will be maintained semi-annually in the future as per the instructions of the audit.	The management should ensure that the financial regulations are followed.
(b) Paragraph 2.1,2.2, 2.3, 2.4, 2.5 of the Public Finance Circular No.08/2019 dated 17 December 2019.	Action had not been taken to do the activities including registration in the electronic public procurement system before 31 January 2020.	Further work is currently being done in parallel with the training provided by the secretariat related to electronic public procurement.	That the action should be taken to combine with the electronic procurement system as per the circular.

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| (c) | Assets Management Circular No.05/2020 dated 02 October 2020.<br><br>Paragraph 03 | Information on repaired vehicles had not been submitted to the Comptroller General's Office before 15 January 2021 for submission to the Cabinet.                                 | The form for the request for provision for repair of vehicles whose repair is effective has been prepared and submitted for the recommendation of the Secretary to the Ministry, which will be forwarded by the Ministry to the Office of the Comptroller General.                 | That action should be taken regarding the repaired vehicles as per the circular.           |
| (d) | Assets Management Circular No.01/2017 dated 28 June 2017.<br><br>Paragraph 05    | Details regarding the institute's vehicles amounting to Rs.72,379,000 and machinery amounting to Rs.278,543,676 had not been reported to the Comptroller General of the Treasury. | When asked by the Comptroller General's Office to submit the reports on the purchase of machinery and production equipment, it was informed that the submission of those reports is unnecessary at present therefore; the reports indicated in the audit query were not submitted. | That the details of assets should be submitted to the Comptroller General as per circular. |
| (e) | Public Finance Circular No.01/2020 dated 28 August 2020.<br><br>Paragraph 13.2   | The vehicle No. 41-9170, which could not be used since the year 2020, had not been disposed of.   | As per Public Finance Circular No. 01/2015, an assessment board has been appointed to dispose of this vehicle and this work is still ongoing.  | That the vehicles identified for dispose should be dealt with as per the circular.         |

## 2.7 Deposit Balances

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
The outstanding tender deposit balance for more than two years was Rs.848,563 and the said	Letters have been sent to the relevant institutions for the outstanding tender deposit balances of more than two	Settable deposit balances should be identified and promptly settled or credited to

balances had not been credited to the government revenue in terms of Financial Regulation 571(3).

years and necessary arrangements are being made to credit the government revenue.

government revenue as per Financial Regulations.

## 2.8 Operating Bank Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>According to the bank reconciliation statement related to the bank account No.7042729, there were 21 overdue cheques amounting to Rs.167,145 on 31 December 2022 but not presented, action had not been taken as per financial regulation 396(d) regarding that.</p>	<p>The relevant parties have been informed in writing to extend the dates of cheques over 6 months or to arrange for immediate clearance. Accordingly, measures will be taken according to F.R.396(d).</p>	<p>That it is the responsibility of the concerned officers to deal with non-presented cheques as per Financial Regulation 396(d).</p>

## 3. Operating Review

### 3.1 Projects abandoned without completing

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) The project started in 2019 to provide 191 electric lamp posts for Rs.32,391,346 for the Central Cultural Fund was abandoned. But only 17 electric lamp posts amounting to Rs.2,707,512 had been completed as at 31 December 2022, so the physical progress was 9 percent. It was also observed that the parts of china chatti lamp posts, glass cases and aluminum parts etc., are idle in workshop 01 and workshop number 06.</p>	<p>The Central Cultural Fund did not sign the agreement and the order was not carried out due to non-payment of an advance for the rest of the work.</p>	<p>That it is the management's responsibility to initiate and execute projects under formal agreements.</p>

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| <p>(b) The project of making 20 adjustable beds for Rs.400,000 to the Colombo North Teaching Hospital was not completed.</p> | <p>The repair work of 20 adjustable beds for the North Colombo Teaching Hospital has also started and the work has to be completed as soon as possible.</p> | <p>The project should be started in due period as planned and work to achieve proper performance.</p> |
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### 3.2 Delays in the Execution of Projects

Following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) The Department of Posts agreed to the estimate of Rs.104,412,899 submitted by the Sri Lanka State Engineering Corporation for the construction of a temporary building for the transport division of the Department of Posts and paid Rs.3,795,000 on 31 December 2018. However, since it was confirmed in the discussion held on 13 January 2019 that the soil of the land proposed for the relevant construction is not suitable and therefore a total amount of Rs.22,199,572 as Rs.10,710,572 on 14 March 2019 and Rs.7,694,000 on 06 March 2020 had been collected from the Department of Posts stating that for a new plan to build in another place. Even so, the progress of the project was only 10 percent on 31 December 2022, so the project was not completed or the money received was not returned.</p>	<p>During the preparation of plans related to this project, the location had to be changed several times due to a problematic situation in the soil reports of the respective location. Therefore, this construction, which was planned for three floors, has been reduced to a single floor and directed to get the approval of the Urban Development Authority to start the construction, and minor constructions such as the construction of the fence are still being carried out.</p>	<p>After taking over the projects, arrangements should be made to implement them on time and achieve proper performance.</p>
<p>(b) The target allocation for the year under review for the construction and installation of Ellewewa floodgates of the Department of Irrigation had</p>	<p>Due to the abnormal increase in the price of raw materials in the years 2021, 2022, the estimates have been revised and forwarded to the</p>	<p>Project estimates should be revised and implemented to achieve proper performance.</p>

been Rs.14,178,200 and the physical progress only had been 5 percent.

Department of Irrigation and the work will be started after approval.

(c) The physical progress of the Department of Irrigation's project to install floodgates for the Uva Kuda Oya Reservoir with an estimated value of Rs.12,708,000 was only 20 percent.

The civil engineering construction of Uva Kudaoya Reservoir is not yet completed and the mechanical engineering works will be started after the completion of the civil engineering construction.

The project should be started and implemented as planned and work to achieve proper performance.

### 3.3 Assets Management

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Thirty seven quarters belonging to the department remained unused and underutilized and the barrel shed located in the same premises on a plot of 01 rood 08.87 perches also remained idle.	<p>Most of the houses here have drainage problems, water inflow into the kitchen, water leakage problems in the bathrooms and electricity leakage problems in the electrical circuits.</p> <p>The land belonging to the barrel shed is currently provided for the accommodation of security personnel during shift of duty.</p>	<p>That a system should be prepared to repair and utilize the residential property and use the vacant land.</p>
(b) Unauthorized residents had occupied the underutilized 01 acres, 03 roods and 11 perches of the land where the government factory workers' quarters are located due to the lack of protection of the department's lands with boundary walls or permanent fences.	<p>It is clear that these unauthorized acquisitions had already taken place by the year 2001, and a list of unauthorized residents was obtained from the Kolonnawa Divisional Secretary and sent to the Urban Development Authority to carry out the necessary legal proceedings.</p>	<p>That it is the responsibility of the management to take appropriate measures regarding illegal residents and protect the assets belonging to the department.</p>



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| (c) | The department did not have the deeds for three lands, including the land where the Department of Government Factory is located, totaling 24 acres 01 rood 1.87 perches, and the steps had not taken to confirm the ownership from the Divisional Secretary based on the survey plan.  | The survey orders related to this have been sent by the Kolonnawa Divisional Secretary and the Homagama Surveyor's Office has also carried out the survey work, but the deeds have not been given yet.  | That the title deeds for the clear lands belonging to the department should be taken without delay. |
| (d) | 285 items worth Rs.2,689,162 in section C stores, 166 items worth Rs.24,591,684 in section I warehouse and 281 items worth Rs.16,964,968 in section A remained unissued under stores advance accounts for a considerable time. Due to this, it was observed that the stores maintaining cost, blocking the space of the stores, spending unnecessary labor and time for stock testing, and reducing the value of the stocks due to expiration of stocks had been occurred. | These stock items are not out of date, and the stock items are kept in the stores for the urgent needs of the organization. Also, due to the economic crisis in the year 2022, the release of goods for workshops was reduced compared to previous years. | The management should develop a system for effective utilization of these stocks.                   |
| (e) | It was observed that the remaining area of 01 acres, 03 roods and 11 perches of the land located in 03 staff quarters in Mendis Estate is idle.  | The vacant land between these 03 houses is used for turning the vehicles coming to those houses.  | That a system of effective utilization of assets should be developed.                               |

#### 4. Human Resource Management

Following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) Details of approved, actual, vacancies and cadre as at 31 December 2022 are given below. A sum of Rs. 97 million had been spent for the personnel expenditure category for the year under review. Accordingly, the per capita expenditure was Rs. 257,030.	Request have been made to the Public Service Commission for filling up the vacancies in the all island and Combined Services at senior, tertiary and secondary level and the necessary new recruits have been identified for submission to the Prime Minister's Review	That the department should arrange to fill vacancies or revise the number of employees as per need.

<b>Employee Type</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Vacancies</b>	<b>Committee.</b>
Senior Level	31	18	13	Furthermore, taking into account the current economic situation of the government, the National Budget Department restricted recruitment. Also, steps were taken to reduce the government's expenses by sending the existing employees to foreign jobs.
Tertiary Level	10	02	08	
Secondary Level	282	149	133	
Primary Level	446	180	266	
Other	-	-	-	
<b>Total</b>	<b>769</b>	<b>349</b>	<b>420</b>	

The approved cadre of the department was 769 and the actual cadre was 349. Accordingly, the department had not taken steps to fill the vacancies of 420 posts or revise the number of posts as per the requirements.