

Head 310- Department of Government Factory - 2024

1. Financial Statements

1.1 Qualified Opinion

Head 310-The audit of the financial statements of the Department of Government Factory for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 2025. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 29 May 2025 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 2024, and its financial performance and cash flows for the year then ended in accordance with the basis of preparation of the financial statements set out in Note 1 to the financial statements.

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 responsibility 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 Emphasis of matter - Basis of preparation of financial statements

The attention is drawn to Note 1 to the financial statements, which describes the basis of preparation of these financial statements. The financial statements have been prepared for the use of the Department of Government Factory, the Treasury and the Parliament in accordance with Government Financial Regulations 150 and 151 and State Accounting Guidelines No. 06/2024 dated 16 December 2024 as amended on 21 February 2025. Accordingly, these financial statements may not be suitable for other purposes. My report is intended only for the use of the Department of Government Factory, the Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

1.4 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with public Finance Regulations 150 and 151 and State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025 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.

1.5 Auditor's responsibility for the audit of 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 the Auditor General's 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 scepticism 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.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on the Advances to Public Officers Account

Audit Observation	Comment of the Accounting Officer	Recommendation
i. Although a request had been made by the letter No. MUDC&H/2024/AD/B/01 to revise the minimum credit limit of Rs.16,000,000 approved in the Budget Estimate of Government Officers' Advance "B" Account (Item No. 31001) to Rs.13,000,000, approval had not been received. However, in the reconciliation statement submitted for audit, the approved revised minimum credit limit had been inappropriately stated as Rs.14,000,000.	Although requests were made to revise the minimum receipt limit to Rs.13,000,000, the receipt limit in the reconciliation statement submitted for audit was erroneously stated as Rs.14,000,000 and has been noted for correction.	The limit revisions must be obtained within the stipulated time periods, and steps should be taken to correctly indicate the approved limits in the reconciliation statement.
ii. In the CC10 register maintained to record advance recovery and monthly interest as per Section 14.9 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, the interest for each month relating to the loan installments had not been calculated and the total of the loan and interest charges had not been recorded.	Although the loan amount and interest have been collected properly, it has been neglected to update it properly in the CC10 register, and steps will be taken to update and maintain it properly in the future.	Steps should be taken to properly maintain the loan register with monthly loan installments and interest values.
iii. Although the Department is required to maintain a waiting list of officers requesting loan advances, including their names, salary numbers, date of request, subject of request and loan amount, such a list had not been maintained.	A waiting list is already maintained for the advances and it has been sent to the Audit Office on 08 April 2025 and the relevant officials have been informed to maintain it as pointed out by the audit.	Arrangements should be made to maintain a waiting list containing details of loan applications.

(b) Work Done Advance Account

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Out of the balance of Rs.16,892,320 in the Debtors' Excess Receipts Account at the beginning of the year, a debtor value of Rs.3,458,808 had been specifically identified and properly accounted for by the end of the year, while a balance of Rs.13,433,512 had not been identified.	Efforts are underway to identify the balance of Rs.13,433,512 that has not been identified so far.	Received balances should be properly identified and entered in to the relevant accounts.
(ii) 06 sales invoices worth Rs.4,177,300, which were omitted in calculating sales revenue for the years 2022 and 2023, were included in this year's sales instead of adjusting them to the previous year's profit and therefore, the profit for the year had been overstated by that amount.	Erronously, adjustments have been made to the sales of the current year without adjusting the previous year's profit.	Sales revenue should be accounted for in the proper period and profits and losses should be calculated accurately.
(iii) Due to the fact that cash sales of Rs.19,615,678 were recorded as sales on credit during the year under review, the debtor balances were overstated by that amount.	Invoice numbers 2/7914 and 2/7751 have been included in credit sales by mistake, but in the future, steps will be taken to include credit sales and cash sales appropriately.	Cash and credit sales should be accurately accounted for and the actual debtor balance should be maintained.
(iv) Although the cost of goods and projects completed and delivered to customers in the relevant year was considered as revenue in accordance with the revenue recognition policy, invoices amounting to Rs.61,056,929 had been issued for 04 unfinished projects and that value had been accounted for as credit sales. As these works could not be completed within the accounting year, the amount of	According to Note 11 of the Work Done Advance Account, the value stated as Rs.40,765,416 is the value of the work carried forward to 2025, out of the invoice value of Rs.61,056,929 issued for the year 2024, which could not be completed in the year 2024. In this case, these works are carried forward for repairs or maintenance to be carried out in 2025, and as mentioned in Note 11, it is not an advance but a value carried forward from this year's turnover to the next	The income for the year should be properly identified and accounted for.

	Rs.40,765,416 received as advance had been removed from the sales account and credited to the advance account. There was no evidence that the remaining sales value of Rs.20,291,513 had been removed from the relevant accounts.	year, therefore, only that value has been removed from the sales, and a value of Rs.20,291,513 has been included in the sales.	
(v)	Although Rs.19,916,346 had been adjusted to the accumulated profit under prior year adjustments to correct prior period errors, no disclosure had been made in the financial statements in accordance with Section 54 of Sri Lanka Public Sector Accounting Standard 03.	A disclosure statement as specified in Sri Lanka Public Sector Accounting Standards No. 03 will be submitted in the future.	Prior year adjustments should be properly disclosed in the financial statements in accordance with Sri Lanka Public Sector Accounting Standards.
(vi)	According to the payment analysis, although the value of overtime payments for September 2024 was Rs.1,310,015, overtime expenses were understated by Rs.13,641 due to it being copied to the overtime payment account as Rs.1,296,368.	Since there is not enough time to search for information, the information will be found and presented quickly.	Action should be taken to accurately record expenses in the accounts.
(vii)	According to the Statement of Financial Position as at 31 December 2022, out of the total debtor balances from the years 2008 and 2009 amounting to Rs.36,941,553, only an amount of Rs.4,045,992 had been approved for write-off by a committee formed by the Secretary to the Ministry. Contrary to this, the entire outstanding loan balance of Rs.36,941,553 was written off.	A letter has been sent to the Department of Public Finance to obtain approval for the balance of Rs.36,941,554 written off from debtors for the years 2008 and 2009.	Debt write-offs should be processed only after proper approval has been obtained.

(c) Stores Advance Accounts

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) According to Section 501 of the Financial Regulations, the Stores Advance Account is not maintained with the intention of making a profit or expecting a loss, and the stock of goods is recorded at the price at which the goods are brought. It was stated in the preamble to the Stores Advance Account for the year 2024 that stocks are issued by adding 8 percent to the cost to cover the expenses of purchasing, storing and operating them. After deducting the issuance cost of Rs.67,342,343 and the employee and supply expenses of Rs.9,031,952 from the issuances of the year, the accounts showed a deficit of Rs.4,177,325.	Since the 8 per cent value applicable to the issues was insufficient to cover the employee cost and supply cost of the main store, the deficit that arose in the Stores Advance Account for the year 2024 was transferred to the Work Done Advance Account.	The stores advance account should be managed in a manner that does not result in profit or loss.
(ii) The loss of Rs.4,177,325 shown in the Receipts and Issues Account for the year under review was understated by Rs.968,003, showing a loss as Rs.3,209,322 in the Balance Sheet.	Tax-free purchases amounting to Rs.968,003, which were bought for the main store in the year 2023 through Treasury Imprests, were incorrectly recorded as creditors and purchases in the Stores Advance Account for 2023 and this error was corrected in the year 2024 through the Issues over Expenditure Account, and due to that correction journal entry, a difference of Rs.968,003 has been shown between the value of the receipts and issue account and the balance sheet balance.	Changes between account balances in the financial statements should be compared and the correct balances should be accounted for.

(d) Non-maintenance of Registers and Books

It was observed during sample audits that the Department had not maintained certain registers listed below and that certain registers were not maintained properly and up to date.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Fixed Assets Register		
The fixed assets register had not been prepared and updated through the fixed assets module in the CIGAS program in accordance with paragraph 8.1 of the State Accounts Guideline No. 06/2024 dated 16 December 2024 as amended on 21 February 2025.	The fixed asset register will be updated in the future.	The fixed asset register should be updated and maintained through the fixed asset module within the CIGAS program.
(ii) Stock Books		
Stock books had not been maintained up to date in accordance with Financial Regulations 751 and 763.	Will be updated and maintained in the future.	Stock books should be kept up to date in accordance with financial Regulations.
(iii) Register of Losses		
A register of damages had not been updated and maintained in accordance with Financial Regulation 110.	Action will be taken to examine, complete the shortcomings, and maintain them up-to-date.	A register of damages should be maintained in accordance with the financial Regulations and the format provided for therein.
(iv) Register of Liabilities		
A register of liabilities had not been updated and maintained in accordance with Financial Regulation 214.	Action will be taken to update in the future.	According to the Financial Regulations, those liabilities should be recorded in a liabilities register so that they can be regularly examined.

(e) Lack of Evidence for Audit

Audit evidence had not been submitted regarding the following transactions.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) Detailed schedules for the values of Motor Vehicles, Motor Vehicle Depreciation, Machinery and Equipment, Machinery and Equipment Depreciation, and Depreciation Reserve Fund, which were Rs.70,508,827, Rs.120,429, Rs.354,294,760, Rs.6,525,302, and Rs.1,682,924 respectively, were not submitted for audit in the year under review, and therefore could not be satisfactorily verified during the audit.	Management has not commented.	Relevant detailed schedules should be maintained for the balances in the financial statements.
(ii) Detailed schedules for the debtor balance of Rs.574,183,874 existing at the end of the year under review were not submitted for audit, and therefore could not be satisfactorily vouched during the audit.	Steps will be taken to obtain balance confirmation certificates by informing the debtors of this value through letters and then submitting them for audit.	Accurate detailed schedules should be maintained for the balances included in the financial statements.
(iii) Detailed schedules for payments amounting to Rs.36,010,388 and receipts amounting to Rs.7,838,301, related to adjustments made during the year under review in accordance with Financial Regulations 503(1), were not submitted for audit, and therefore could not be satisfactorily vouched during the audit.	It is not clear how the audit obtained these values and the information in the Cabinet Memorandum on the Limit Amendments submitted by this Department is presented herewith.	Accurate detailed schedules should be maintained relating to adjustments made to the financial statements.

2. 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.

Reference to the Paragraph of preceding year	Recommendation not implemented	Paragraph reference in this report
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1.6.1(b) (ii)	According to the Statement of Financial Position as at 31 December 2022, although the total debtor balances from the years 2008 and 2009 amounted to Rs.36,941,553, the total of those debtors approved for write-off as per the Committee Report with the approval of the Ministry Secretary, was Rs.4,045,992. Despite this, the entire balance of Rs.36,941,553 related to the years 2008 and 2009 mentioned above was written off in the financial statements.	1.6.1(b)(vii)
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3. Financial Review

3.1 Expenditure Management

Audit Observation	Comment of the Accounting Officer	Recommendation
According to Paragraph 3.4 of the State Accounts Guideline No. 06/2024 dated 06 December 2024, if the difference between the total net provision and the actual expenditure for each expense object under the respective expenditure object codes exceeds 5 percent of the net provision of that expense object, or Rs.10,000, whichever amount is higher, the reasons for such difference must be stated in the ACA 2(ii) form. However, instances were observed where this was not indicated.	Estimates were made for expected expenses, but vouchers for payment were not submitted as expected.	Steps should be taken to provide reasons for savings in expenditure items as per accounting guidelines.

3.2 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
i. Although the liabilities were not recorded in the statement of liabilities and commitments in the financial statements, liabilities of Rs.2,866,424 had been incurred at the end of the year under review.	In carrying out management activities, future purchases will be made according to the financial progress reports which were updated and provided in November 2024, and it is expected that these activities will be carried out in the future according to the audit recommendations.	Action should be taken to properly report the liabilities in the financial statements.

ii.	Financial Regulation 94(1) states that no Department should enter into any expenditure or commitment for any work, service, or supply unless provisions are available in the Annual Estimates. However, due to the preparation of estimates without proper study and planning, commitments amounting to Rs.1,535,278, exceeding the estimated provision, were entered into under 06 expenditure objects.	Action will be taken in the future in accordance with audit recommendations.	A proper study of the provisions should be carried out, and action should be taken to enter into commitments in accordance with the Financial Regulations.
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3.3 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 so done

Audit Observation	Comment of the Accounting Officer	Recommendation
The Accounting Officer should ensure that an effective internal control system for the financial control exists in the 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.	An effective internal control system for financial management has been prepared in this institution, and action is being taken through the Audit and Management Committees to review it in writing on a quarterly basis. Furthermore, arrangements will be made to submit the progress regarding this to the Auditor General.	In accordance with the provisions of Section 38 of the National Audit Act, No. 19 of 2018, the internal control system should be reviewed in writing and a copy thereof should be submitted to the Auditor General.

3.4 Non-compliances with Laws, Rules and Regulations

The instances of non-compliance with the provisions of laws, rules and regulations observed during sample audit tests are analyzed below..

	Reference to Laws, Rules and Regulations	Observation		Comment of the Accounting Officer	Recommendation
		Value	Non-compliance		
		Rs.			
(a)	Establishment Code of the Democratic Socialist Republic of Sri Lanka Chapter XIX, Section 6.4	-	During an inspection of 06 floors comprising 60 houses in the Sanhinda Sewana Housing Complex, 33 houses were not inspected because they were locked and the Housing Inspection Board reported that out of the 27 houses that were inspected, 06 houses had been rented out. Although the relevant regulation prohibits sub-letting of houses, accommodating paying guests and residents, three of the officials who had rented out their houses had not been evicted from the premises as of the audited date, 20 January 2025.	Necessary steps will be taken to evict employees who are still residing in rented houses.	Action should be taken regarding rented houses in accordance with the relevant regulations.
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation No.504 (1)	-	The Department had not prepared statements of the limits prescribed for trade debtors and creditors, finished goods, raw	In the future, statements regarding the fixed limits for Trade Creditors, Trade Debtors, Finished Goods, Raw Materials,	Quarterly statements of limits Should be prepared and submitted in accordance

			materials, warehouse goods and supplies and advance accounts at the end of each quarter and submitted them to the Chief Accounting Officer with a copy to the Auditor General.	Stores and Supplies, and Advance Accounts will be submitted quarterly to the Chief Accounting Officer with a copy to the Auditor General.	with Financial Regulations.
(ii)	Financial Regulation No. 756 (6)	-	The disposal report for the year 2023 had not been submitted after being taken action regarding the goods mentioned in the General 47 report.	Although the assets mentioned in the list of assets recommended for sale by the Survey Boards for the years 2022 and 2023 were prepared for sale, the Comptroller General inquired whether there was any impediment to the disposal of the assets in accordance with the Cabinet Memorandum No. ၃၀၁/23/0783/608/057 dated 16 May 2023, but due to the delay in obtaining instructions in this regard, the sale of the assets relating to the above years was carried out in the year 2025.	Action should be taken to dispose of the goods according to the time frame specified in the financial regulations.
(iii)	Assets Management Circular No. 01/2017 issued by the Secretary to the Treasury, bearing reference No. MF/CG/02/(iv) and dated 28 June 2017.	-	Information on non-financial assets that should have been sent to the Comptroller General under the documenting of all non-financial assets of the government for asset and cost management had not been submitted.	The NFAMS module introduced by the Comptroller General regarding vehicles has been updated to 31 December 2024. It has been verbally informed that it is not necessary to send hard copies of information related to buildings and machinery and that steps are being taken to introduce a module.	Information on non-financial assets should be submitted as per the circular.

3.5 Deposit Balances

Audit Observation	Comment of the Accounting Officer	Recommendation
Action had not been taken in accordance with Financial Regulation 571(3) regarding the balance of Rs.616,800 of contract retention money deposits and the balance of Rs.3,610,228 of deposits temporarily held for repayment to third parties, that had not been settled for more than two years.	The necessary action regarding these retained money will be carried out in accordance with Financial Regulation 571(3).	Action should be taken regarding the deposit balances in accordance with the Financial Regulations.

4. Operational Review

4.1 Non-achievement of expected Outcome

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
A bill for Rs.3,780,162 was submitted for the work completed up to 28 November 2024, stating that in repairing the roof of the second floor of the Ministry of Health, the higher-risk areas were dismantled, decayed parts were removed, and the repair work was completed, and that this quantity amounted to only about 25 percent of the agreed work portion. Even though an advance payment of 20 percent could have been obtained as per the Procurement Guidelines, the Department did not obtain it and proceeded to implement the project using its own funds. It was observed that the money due for the completed work had not been received even by January 2025.	Considering the risky condition of this roof and the fact that the Ministry of Health is a state institution, action was taken to expeditiously complete the work on this roof, and continuous reminders will be made to obtain payments.	Steps should be taken to collect the revenue due promptly and to avoid financial difficulties by requesting advance payments at the start of construction.

4.2 Delays in the Execution of Projects

Following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
The Department of Posts had 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 had paid Rs.3,795,000 on 31 December 2018. However, since it was confirmed at the discussion held on 13 January 2019, that the soil of the proposed construction site was unsuitable, additional amounts of Rs.10,710,572 on 14 March 2019, and Rs.7,694,000 on 06 March 2020, totaling Rs.22,199,572, had been recovered from the Postal Department stating that the construction would be carried out at a different location according to a newly prepared plan. The construction progress remained at a low level of about 10 percent by the end of the year under review. Although 6 years had passed since the commencement of construction, no steps had been taken to complete the project or refund the money received.	The Postal Department has not yet given any specific instructions regarding the location and construction time of this building. Therefore, discussions will be held with the Postal Department in this regard and the construction will be carried out to suit their needs.	Action should be taken immediately to complete the project or refund the money received.

4.3 Annual Performance Report

Audit Observation	Comment of the Accounting Officer	Recommendation
In terms of subsection 47(4) of the Public Finance Management Act, No. 44 of 2024, the annual performance report should be published on or before 180 days after the end of the financial year. In terms of paragraph 10.2 of the Public Finance Circular No. 2/2020 dated 28 August 2020, the Annual Performance Report should have been prepared in accordance with the	Steps have been taken to ensure that this delay does not occur in the future, and this report will be submitted within the specified timeframe.	The annual performance report should be prepared and submitted for audit in accordance with the rules and regulations.

format specified in Guideline No. 14 issued by the Department of Public Finance. Although this performance report should have been submitted for audit along with the annual financial statements in accordance with Section 16(2) of the National Audit Act, No. 19 of 2018, action had not been taken accordingly.

4.4 Assets Management

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) The 265 square meter exhibition hall that had been constructed in front of the factory building to display the products manufactured at the government factory had been closed for a long time without taking steps to utilize it for that purpose.	An officer has also been appointed to display the exhibits in the showroom. Due to staff shortage, the designated officer has had to be assigned additional duties. Once the staff vacancies are filled, the showroom will be open as usual and the relevant activities will be carried out.	The assets of the department should be utilized efficiently and effectively.
(ii) The old restaurant building located on the factory premises had been recommended by the management to be renovated and used as a night staff rest room and the roof had been removed for renovation work in 2023. The renovation work on this building had not yet commenced as of the date of audit on 20 February 2025 and it was observed that the walls of the building were being damaged due to rain.	Since this construction is being carried out by managing it according to the allocations provided for each year and since priority has to be given to the tasks required to obtain earnings related to the payment of employee salaries and allowances, this construction has been delayed and steps will be taken to carry out this construction expeditiously.	Arrangements should be made to keep the building safe until the funds are allocated and repairs begin.
(iii) 03 vehicles worth Rs. 2,200,000 owned by the department were in a condemned condition and no steps had been taken to repair them and use them or dispose of them.	Action will be taken by the Department to dispose of the vehicles that are in a condemned condition.	Steps should be taken to promptly repair or dispose of condemned vehicles.

4.5 Security Deposits by Government Officials

Following observation is made.

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the provisions of Financial Regulation 880, officers who are administratively responsible for, or who under delegation are entrusted with, the receipt or custody of public money, revenue stamps or stores, or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the chapter 612 of Public Officers (Security) Ordinance for the faithful discharge of their duties, Additional Director General, Assistant Director (Administration), Assistant Director (Planning), Chief Engineer, Engineer, Chief Accountant, Accountant, Storekeeper and Driver had not made security deposits.	This will be investigated, security deposit amounts will be proposed and submitted to the Ministry Secretary for approval.	The relevant officials should provide securities in accordance with financial regulations.

4.6 Losses and Damages

Following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(i) It was reported that thieves had entered the premises of the workshop on two occasions during the year under review and stolen electrical equipment and goods from workshop no. 11 (currently workshop no. 16). Due to the failure to take proper measures to strengthen the security of the institution after the theft of goods and equipment on the night of 15 June 2024, it was observed that thieves had entered the institution again on the night of 17 June 2024 and stolen the goods. The value of the equipment identified as stolen during the two days was estimated at Rs. 263,842 and it was not possible to calculate the loss incurred	All identified items have been estimated and the loss has been recovered by the security agency. Relevant measures have been taken at the time of the theft.	The department's security systems should be properly implemented and steps should be taken to recover losses from the responsible parties.

by the institution due to the thieves taking the equipment that was left unsecured and undocumented on the institution's premises.

- (ii) The thieves broke the front window of the factory showroom and entered the showroom and stole valuable goods and equipment on 22 October 2024. The audit observed that action had not been taken in this regard under Financial Regulations 103(1) and 104(1). It was also observed that since items belonging to the institution were stolen on three separate occasions within the same year, adequate security measures had not been followed to prevent them.

Proceedings are being conducted under Financial Regulation 103(1) and Financial Regulation 104(1).

Steps should be taken to conduct investigation in accordance with the relevant financial regulations and to streamline security measures to prevent theft.

4.7 Management Weaknesses

Following observations are made.

	Audit Observation	Comment of the Accounting Officer	Recommendation
(i)	Employees of the respective work units of the Factory Department had taken tools and equipment from those workshops, with notes recorded in their log sheets (or route passes), to carry out work orders received from external institutions. Although these tools and equipment should have been returned to the Factory after the completion of the work for the external institutions, they had not been returned even as of the audited date, 25 January 2025.	Action will be taken to investigate the tools that were delayed in being returned and to implement the necessary measures regarding them.	A proper procedure for the retrieval of tools and equipment belonging to the workshops should be formulated and supervised.
(ii)	The relevant title certificates or deeds had not been obtained to confirm the legal ownership of the land located in the Kolonnawa Divisional Secretariat where the government factory is operated.	The relevant survey work has been completed and all relevant documents have been sent to the Department of the Commissioner General of Lands by the Kolonnawa Divisional Secretary for the preparation of the relevant documents.	Steps should be taken to obtain legal ownership to the lands owned by the department.

(iii)	<p>In order to improve the existing system for the proper implementation of stock control, stock ordering, purchasing, estimate preparation, etc., which was not implemented properly due to the weaknesses of the old computer software system in the government factory, a price quotation was called in the year 2021 and a sum of Rs. 2,954,700 was paid to a private institution on 31 December 2021. Although the specifications stated that the computer software system would automatically create the store order at the reorder level and submit it for approval, handwritten store orders were submitted to the purchasing department.</p>	<p>Since there were various issues with the local order process during the implementation of the software, more attention was paid to restoring the execution of local orders. Store orders are not submitted frequently, and action will be taken to update it in the future.</p>	<p>The computer software system must operate efficiently and effectively according to specifications.</p>
(iv)	<p>Non-recovery of outstanding loan balances in the government officers' advance "B" account.</p>		
•	<p>Loan balances of Rs. 420,905, which was due for more than 20 years from 04 retired officers, had not been recovered up to the end of the year under review.</p>	<p>Three of the four officials, to whom the outstanding loan balances of Rs.420,905 which have remained unsettled for over 20 years since retirement, have been compulsorily retired. They will complete the age of 55 in the year 2025, and arrangements will be made to recover the loan balance from their pension gratuity on that date. Action will be taken to write off the remaining loan balance of Rs.116,305 from the books.</p>	<p>All relevant measures should be taken to recover outstanding balances and minimize losses.</p>
•	<p>Rs.125,500 and Rs.177,800 respectively from two retired officers remained unrecovered for a period of 1 - 5 years.</p>	<p>Relevant steps will be taken to recover from the service gratuity they are entitled to.</p>	<p>All relevant measures should be taken to recover outstanding balances and minimize losses.</p>
•	<p>Action had not yet been taken to recover the outstanding loans of Rs.142,605 and Rs.27,640 respectively due from two officers</p>	<p>Out of the two officers who were suspended, efforts are being made to write off the loan balance of Rs.142,500 from the</p>	<p>All relevant measures should be taken to recover outstanding balances</p>

who were suspended in the years 2009 and 2023.

books of one officer, while efforts will be made to recover the loan balance of the other Rs.27,640 through legal action.

and minimize losses.

- The department had not taken steps to recover, up to the end of the year under review, a total outstanding loan balance of Rs.242,500 from 5 officers who had left the service more than 10 years ago, and a total outstanding loan balance of Rs.59,800 from two employees who had left the service more than 20 years ago.

Action is being taken to write off a sum of Rs.137,400 from the amount owed by the five officers who had left the service more than 10 years ago, while legal action is being pursued regarding the other outstanding loan balances. Necessary steps will be taken to write off some of the loan balances.

All relevant measures should be taken to recover outstanding balances and minimize losses.

5. Achieving the Sustainable Development Goals

Following observation is made.

Audit Observation

Comment of the Accounting Officer

Recommendation

Every state institution is required to work in accordance with the United Nations 2030 Agenda for Sustainable Development, and although several sustainable development goals were identified during the year under review, the Department had failed to specifically identify and implement the relevant indicators.

Sustainable development goals and related indicators have been identified.

Objectives, indicators and targets must be properly identified and implemented.

6. Human Resource Management

Following observations are made.

Audit Observation

Comment of the Accounting Officer

Recommendation

The department had not taken steps to fill the 477 vacant posts or amend the number of posts according to the requirements, which were vacant as of 31 December 2024.

Recruitment is carried out from time to time according to the financial capacity and service requirements of the Department and currently, recruitment has been carried out with the recruitment letter No. 01/14/05/02 (අ.කා.බ.බ.) dated 16 January 2025.

Steps should be taken to fill vacancies or revise the cadre as needed.