

2025

කාර්යය සාධන වාර්තාව செயலாற்றுகை அறிக்கை Performance Report



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அரசாங்கத் தொழிற்சாலைத் திணைக்களம்
DEPARTMENT OF GOVERNMENT FACTORY



Annual Performance Report for the year 2025
Department of Government Factory
Expenditure Head No- 310

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Chapter 01 Institutional Profile/ Implementation overview

1.1 Introduction

The Department of Government Factory, which was initially established in 1849 at Gas Works Street, Colombo, as a sub-department of the Public Works Department, was later relocated in 1928 to its present location near the Oil Installation on Kolonnawa-Dematagoda Road.

During its formative years, the Department has contributed to the development of infrastructure facilities such as roads, bridges, irrigation systems and buildings and the activities of the Department have been handled by foreign engineers.



Until 1969, the Public Works Department carried out these operations, after which its civil engineering activities—such as the construction and maintenance of highways and buildings—were entrusted to the Department of Highways and the Department of Buildings. Meanwhile, mechanical engineering functions were entrusted to the Department of Government Factory, established as a Class “A” department on 10 January 1971.



Bolgoda steel bridge –Side view



Bolgoda Bridge- Front View

20 January 1938

Since then, the Department of Government Factory has operated under the advance account system of the General Treasury, providing essential mechanical engineering support services required for the operation of various government institutions. Over time, the department has functioned under several ministries, including the Ministry of Lands and Land Development, the Ministry of Housing, Construction and Public Utilities, the Ministry of Housing, Construction and Plantation Infrastructure, the Ministry of Housing, Construction and Engineering Services, the Ministry of Housing, Construction and Cultural Affairs, and currently under the Ministry of Urban Development, Construction and Housing.

Today, the Department of Government Factory holds a leading position in the Sri Lankan market for the design and installation of water control gates. Most of the water control gates in major irrigation projects recently completed by the Department of Irrigation—such as Weheragala, Deduru Oya, Pah Aru, Rajanganaya, Thondamanaru, Attikkawa, and Rambakan Oya reservoirs—were designed, manufactured, and installed by this department.

Additionally, the department has undertaken the design and installation of purification tanks for potable water supply projects.

In addition to the above goods and services, the department also carries out numerous advisory and essential services assigned through financial regulations, various ordinances, and gazette notifications.

It is the premier government institution providing technical training required to produce skilled craftsmen, graduates, and chartered engineers in the field of mechanical engineering within the country.

Furthermore, the Department of Government Factory undertakes major construction works in highly secured areas and for state ceremonies—tasks that is difficult for the private sector to accomplish.

As the products and services in the field of mechanical engineering are carried out by the Government Factory under the work advance and stores advance accounts system, this Department can be termed as a unique department that handles commercial activities of the public sector.

To pay salaries for the departmental officers and workers engaged in production and maintenance activities, an income of approximately Rs. 12 million per month must be generated from customers, as no funds are provided by the General Treasury for this

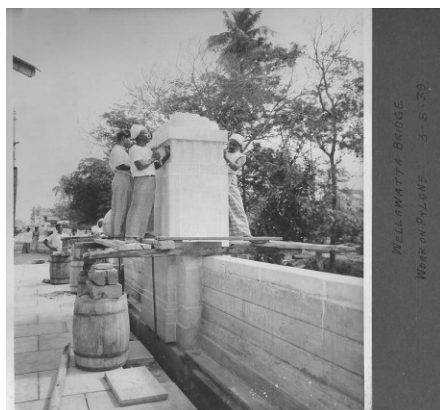
purpose.

In line with the Sri Lanka National Quality Policy, the Department of Government Factory successfully obtained the ISO 9001:2008 international quality system certifications in 2013. The measures taken to achieve this certification enhanced the department's efficiency, and in 2024, the certification was updated to ISO 9001:2015, valid until 2025.

Additionally, the certifications from CIDA for EMI (Heavy Steel Fabrication) have been renewed until 2026, EMF (Elevators, Escalators & Revelators) until 2026, and SP2 (Carpentry & Joinery) until 2026. The department has also registered with TVEC for welding and lathe technology training programs, enabling further development in the services provided to customers.



Thoppuwa Bridge
24 October 1938



Wellawatta Bridge
03 August 1939

1.2 Vision and Mission of Department

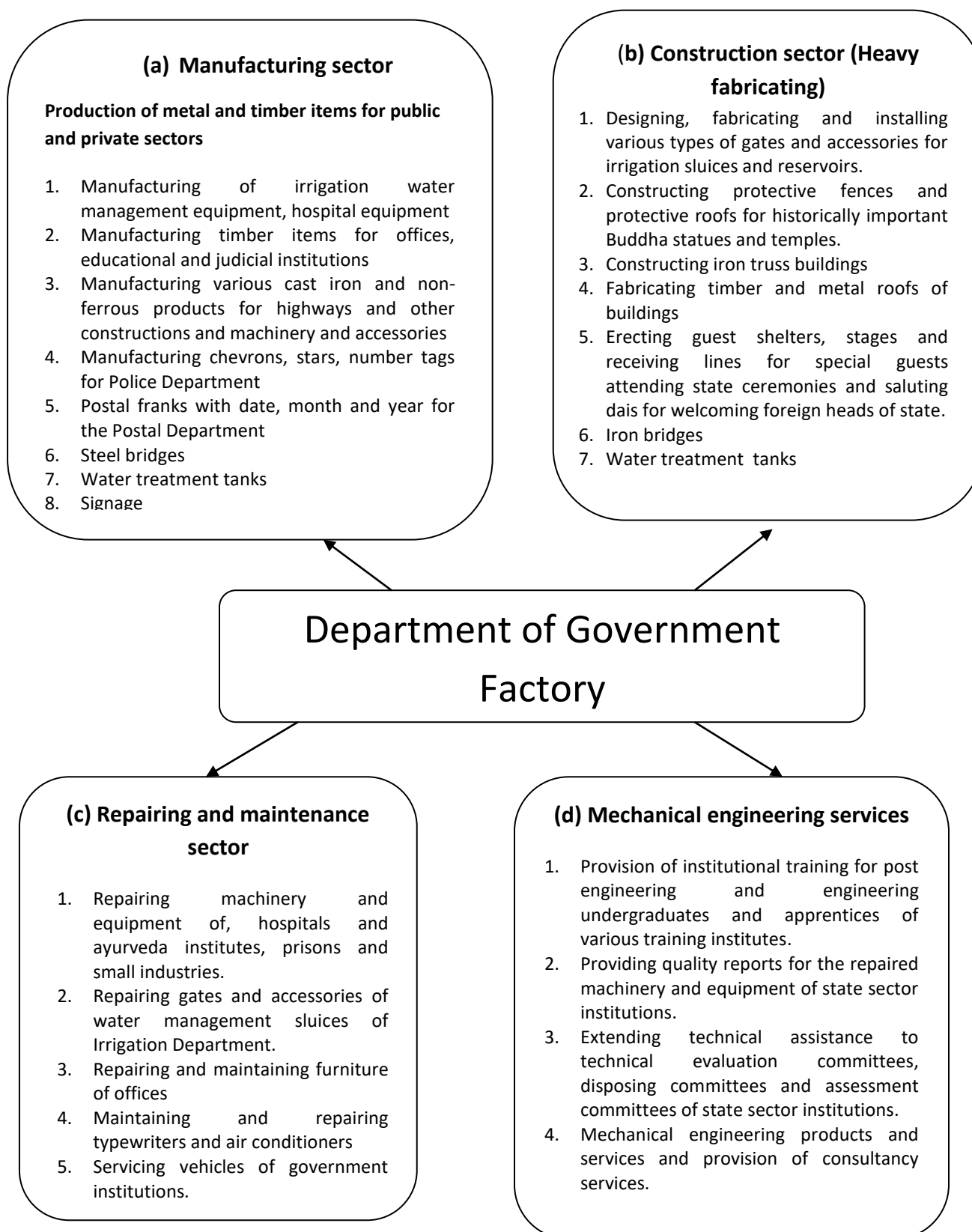
Vision

To be the leader in Sri Lanka providing mechanical engineering services and solutions for national growth.

Mission

To deliver high-quality mechanical engineering and manufacturing solutions through innovation, skill development, and customer focus for contributing to Sri Lanka's industrial and economic growth.

1.3. Main subject areas of the Department



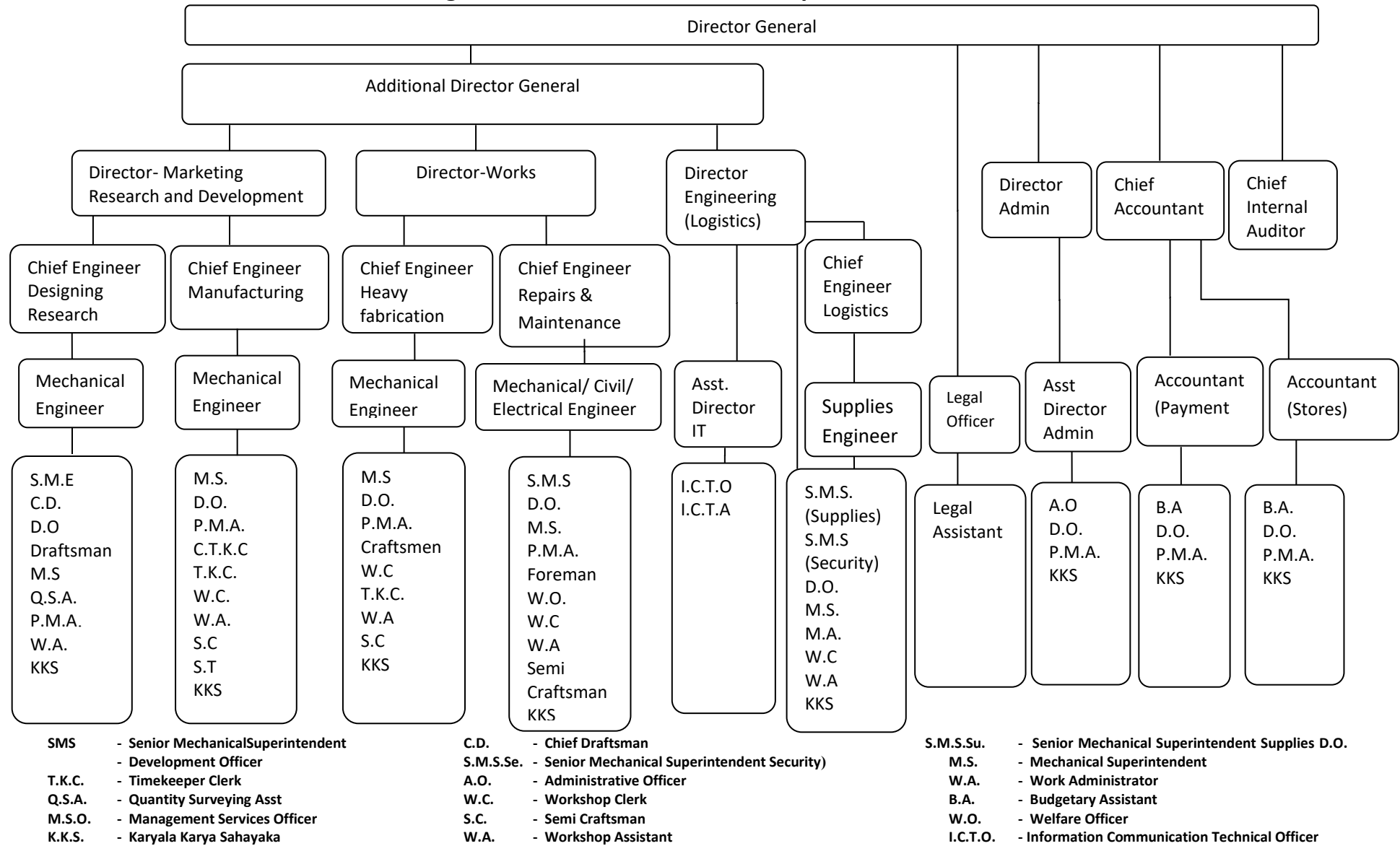
1.4 Current Major Production Activities and Services Provided

No	Organization	Services provided
01	Department of irrigation	Fabricating and installing radial gates and other cast iron, wood and ferrous water management gates and accessories
02	Hospitals	Powder coated stainless steel products, hospital and household equipment
03	Police Department/Ministry of Defense	Chevrons, name boards, mechanical sirens, official number tags
04	Department of Posts	Postal franks with years, months and dates, household equipment and tools, iron based products
05	Department of Railways	Cast iron and ferrous products
06	Rehabilitation/ Ayurveda hospitals	Installing and maintaining machinery
07	Road Development Authority	Road barriers and signage, manhole frames and lids
08	Water Supply and Drainage Board	Construction/installation/ repairing water treatment plants
09	Department of Elections	Making ballot boxes, provision of household items
10	Department of Moto Traffic	Partitioning, repairing roof and engraving chassis numbers and engine numbers
11	All public sector institutions	Furniture and other wooden products
12	All public/private institutions	Screen printing, digital printing, sign boards, carving and engraving
		Embossing, state emblems
		Making doors and windows, wall paneling (carving), partitioning (aluminium and timber)
		Cutting, drilling, boring, welding work and smithy work, all mechanical work, planning, CNC, milling
		Heavy fabricating work, light fabricating work and smithy work and aluminium fabricating work
		Electromechanical work, designing and making control panel boards, electrical installation and repairs
		Electroplating
13	Chartered engineers, Engineering undergraduates, apprentices of technical institutions.	Provision of practical training in the mechanical engineering field.

1.5 Contented clientele of our department

No	Institution	Services provided
01	Ministry of Sports	Making wooden doorframes and doors and windows
02	Treasury	Making wooden doorframes and doors and windows
03	Department of Elections	Making and repairing ballot boxes making sign boards
04	Gafoor building- Colombo 01	Making wooden doorframes and doors and windows
05	President's House (Anuradhapura/Nuwaraeliya)	Making wooden doorframes and doors and windows
06	Department of Irrigation	Designing, fabricating, maintaining and repairing water control gates
07	Government hospitals	Powder coating and repairing all hospital furniture (iron and stainless steel)
08	Department of Police	Manufacturing chevrons, household appliances, Bunker Beds (Steel and Wooden)
09	Department of Posts	Postal franks with years, months and dates, household equipment and tools, sign boards and constructing buildings on iron frames
10	Ministry of Justice	Wooden furniture, record room shelves, sign boards
11	Department of Archeology/ Central Cultural Fund	Designing, fabricating, installing Iron canopies for antiquities, sign boards, museum furniture, manufacturing and installing street lamp posts
12	Department of Railways	Brake pads and equipment required for railway signals
13	Ministry of Foreign Affairs	Carrying out ferrous and wooden furniture maintenance work and repairing
14	Road Development Authority/ Provincial Road Development Authority	Fabricating and installing iron bridges, making sign boards
15	National Water Supply and Drainage Board	Designing, making and installing water treatment tanks

1.6 Organizational Structure of the Department



1.7 Progress of development programmes implemented in the year 2025 (As at 31.12.2025) – Work done advances

	Project details	Target 2025		Progress as at 31.12.2025	
		Estimate (Rs. mn)	Physical (%)	Cost (Rs. Mn)	Physical (%)
1	Fabrication and installation Hydraulic hoisting mechanism for 02 nos of radial gates in Uwa Kuda oya - Uma oya project	105	100	19.26	93
2	Fabrication, Installation ,dismantling and transportation of VVIP,VIP huts and saluting Dias for national Independence day 2025	25	100	22.73	100
3	Fabrication ,Supplying and Installation of cast iron sluies gates emergency gate and trash rack in Ellewawa	15	100	8.15	40
4	Construction of Package type water treatment Hapugala water treatment plant	80	100	-	5
5	Rehabilitation of water treatment plant at Thissamaharama	28	100	5.83	65
6	MACHINING UNIT (Shop 01) - Machining, works of private & public sector	6	100	14.08	100
7	HEAY FABRICATION UNIT (Shop 02) -Other Work (State Function and Balance work)	10	100	53.29	100
8	CARPENTRY UNIT (Shop 03) (Fabrication of Wooden furniture for state and private sector)	15	100	4.05	37
9	LIGHT FABRICATION UNIT- (Shop 04) Manufacturing and maintenance of Hospital Furniture	15	100	43.67	100
10	FOUNDRY UNIT - (Shop 06) Casting of Ferrous & Non Ferrous items for Public & Private sector	25	100	25.97	100
11	LIGHT ENGINEERIN UNIT - (Shop 07) Light Engineering works for Public & Private Sector	20	100	25.98	100
12	Maintenance section (Shop 14,16)	6	100	6.95	100
	Total	350	100	229.96	70

Some of the special tasks carried out during the year 2025 are as follows:

01) Supplying cast iron reservoir gates, emergency gates, and other related components manufactured by our Foundry Unit and Machine Shop for installation at the Aluthdiwul Wewa Reservoir.



02) As part of the industrial collaboration programme being carried out with universities in Sri Lanka, organizing a practical training session on CNC machines for the Faculty of Computing and Technology of the University of Kelaniya, and enhancing research and development activities through collaboration with local universities.



03) Expanding into the production of ductile iron products by conducting a practical training session on ductile iron production in collaboration with the Industrial Development Board (IDB).



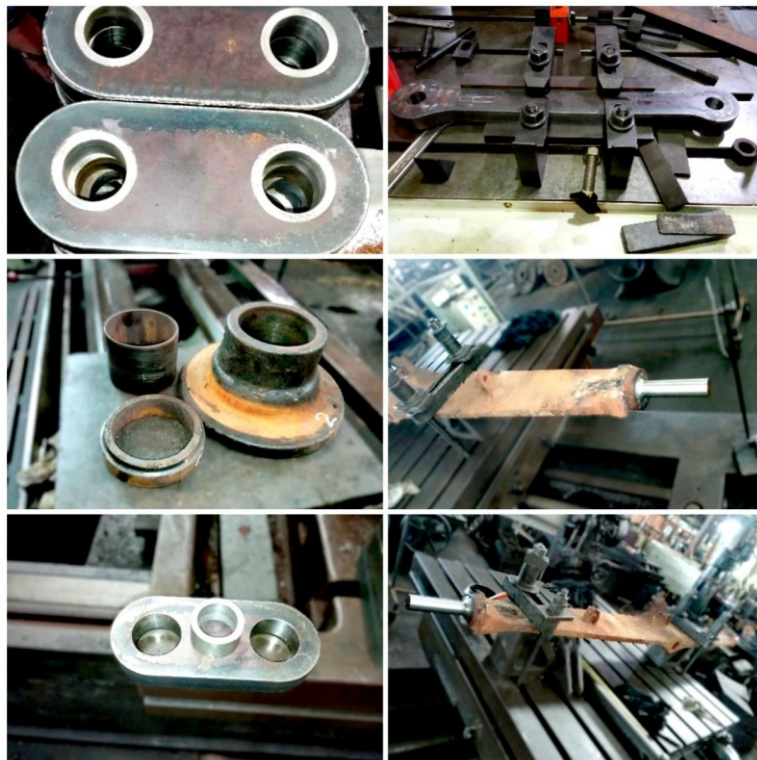
04) Manufacturing hospital equipment for hospitals, including Karapitiya Hospital.



05) Repair and rehabilitation of the Giriulla Bridge.



06) Manufacturing railway spare parts for the Sri Lanka Railways Department.



The use of new technology

07) Modernizing our manufacturing processes through the use of advanced technologies, including an laser welding machine, a 3D printer, and a induction furnace.



3D Printer



Laser Welding Machine



Jolt squeeze molding machine

Chapter 02 – Progress and the future outlook

Achievements and Challenges Encountered During the Implementation of Development Projects in 2025

Special Achievements

- * Obtained a patent for the innovation titled “A Novel, Movable, and Safer Chopping Machine to Produce Compost.”
- * Renewed the ISO 9001:2015 International Quality Management System Certification during 2025. In addition, the following CIDA registrations were renewed in 2025: EMI (Heavy Steel Fabrication), EMF (Elevators, Escalators & Related Installations), and SP2 (Carpentry & Joinery).
- * Successfully designed, manufactured, and installed water control gates at competitive prices while competing with private sector organizations.
- * Improved efficiency and product quality by procuring modern machinery and equipment to replace conventional manufacturing machines.
- * Won a significant number of competitive tenders, particularly from the Sri Lanka Railways Department.
- * Enhanced research and development activities and initiated public awareness programmes through the Training Unit.

Challenges

- * The continued existence of vacancies in technical and administrative staff positions, together with retirements and employee migration overseas, has resulted in a gradual loss of the Department’s technical capabilities and has made recruitment a major challenge.
- * Payments due from government agencies for completed work are not received on time.
- * Adherence to strict public procurement procedures under state policies limits competitiveness with the private sector.
- * Although technical specifications and designs required for irrigation construction projects are provided to relevant institutions while maintaining essential technical expertise within the public sector, those institutions often use such information to procure services from external suppliers through procurement processes. This poses a challenge to sustaining these specialized competencies and may jeopardize the Department’s ability to provide such services in the future.
- * Difficulties in providing performance bonds, bid bonds, and other required guarantees.

Future Goals

- * Re-engage in discussions to reclaim lost orders from the Irrigation Department, hospital furniture orders, and orders from Police and Postal Departments.
- * Manufacture and supply tools for highway projects domestically rather than importing them.
- * Develop a process to manufacture and provide general engineering and carpentry products and services for the public.
- * Establish a training institute in line with the current requirements of the country.
- * Implement measures to increase production capacity by engaging the private sector.

Chapter 03- Financial Performance of the year

3.1 Financial Performance Statement under Treasury Allocations

3.1.1 Statement of Financial Performance of the Work Done Advance Account.

3.2 Performance on the utilization of allocated provisions

3.3 Performance on donations and other receipts

3.4 Performance on reporting non-financial assets

3.5 Auditor General's Report

3.1 Financial Performance Statement under Treasury Allocations

Statement of Financial Performance For the Period Ended 31st December 2025 Department of Government Factory				ACA(F)	
Revised Budget Locations Rs	Note	Actual			
		2025	2024		
Revenue Receipts					
Income Tax	1				
Taxes on Domestic Goods & Services	2				
Taxes on International Trade	3				
Non Tax Revenue & Others	4				
Total Revenue Receipts (A)				ACA-1	
Non Revenue Receipts					
Treasury Imprests		306,167,186	338,687,744	ACA-3	
Deposits		47,126,655	46,074,944	ACA-4	
Advance Accounts		565,831,569	510,897,796	ACA-5	
Other Main Ledger Receipts		-	-		
Total Non Revenue Receipts (B)		919,125,410	895,660,485		
Total Revenue Receipts & Non Revenue Receipts C = (A)+(B)		919,125,410	895,660,485		
Remittance to the Treasury (D)		60,100,814	136,713,966		
Net Revenue Receipts & Non Revenue Receipts E = (C)-(D)		859,024,596	758,946,519		
Less: Expenditure					
Recurrent Expenditure					
Wages, Salaries & Other Employment					
100,500,000 Benefits	5	96,909,972	88,820,886		
77,000,000 Other Goods & Services	6	65,321,546	61,858,082		
1,000,000 Subsidies, Grants and Transfers	7	647,541	884,682		
0 Interest Payments	8	-	-		
36,000,000 Other Recurrent Expenditure	9	35,165,055	2,016,780		
214,500,000 Total Recurrent Expenditure (F)		198,044,114	153,580,430		
Capital Expenditure					
Rehabilitation & Improvement of Capital					
38,000,000 Assets	10	28,410,077	36,300,000		
33,500,000 Acquisition of Capital Assets	11	33,154,412	44,947,644		
0 Capital Transfers	12	-	-		
0 Acquisition of Financial Assets	13	-	-		
2,000,000 Capacity Building	14	1,623,266	1,466,693		
2,000,000 Other Capital Expenditure	15	2,000,000	797,866		
75,500,000 Total Capital Expenditure (G)		65,187,755	83,512,202		
Main Ledger Expenditure (H)					
Deposit Payments		46,654,567	37,638,908	ACA-4	
Advance Payments		520,609,054	434,644,445	ACA-5	
Other Main Ledger Payments		-	-		
Total Main Ledger Expenditure (H)		567,263,621	472,283,354		
Total Expenditure I = (F)+(G)+(H)		830,495,490	709,375,986		
Balance as at 31st December J = (E)-(I)		28,529,106	49,570,533		
Balance as per the Imprest Adjustment Statement		28,529,106	49,553,403	ACA-7	
Imprest Balance as at 31st December		-	17,130	ACA-3	



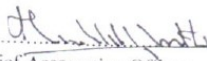
Statement of Financial Position
As At 31st December 2025
Department of Government Factory

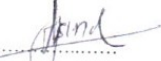
ACA(P)

	Note	Actual 2025 Rs.	2024 Rs.
Non Financial Assets			
Property, Plant & Equipment	ACA-6	1,087,329,884	1,054,175,497
Financial Assets			
Advance Accounts	ACA-5/5(a)	(331,085,678)	(285,863,163)
Cash & Cash Equivalents	ACA-3	0	17,130
Total Assets		756,244,206	768,329,464
Net Assets / Equity			
Net Worth to Treasury		(363,031,088)	(317,336,486)
Property, Plant & Equipment Reserve		1,087,329,884	1,054,175,497
Rent and Work Advance Reserve	ACA-5/5(b)		
Current Liabilities			
Deposits Accounts	ACA-4	31,945,410	31,473,323
Imprest Balance	ACA-3	-	17,130
Total Liabilities		756,244,206	768,329,464

Detail Accounting Statements in ACA format Nos.02 to 07 presented in pages from 06 to 27 and Annexures to accounts presented in pages from 28 to 35 form an integral part of these Financial Statements. The Financial Statements have been prepared in accordance with the Government Financial Regulations 150 & 151 and State Accounts Guideline No. 02/2025, dated 17.12.2025 and hereby certify that figures in these Financial Statements, Notes to accounts and other relevant accounts were reconciled with the Treasury Books of Accounts and found in agreement.

We hereby certify that an effective internal control system for the financial control exists in the Reporting Entity and carried out periodic reviews to monitor the effectiveness of internal control system for the financial control and accordingly make alterations as required for such systems to be effectively carried out as per the Section 38(1)(C) of the National Audit No.19 of 2018.


Chief Accounting Officer
Name : Eng. L.B. Kumudu Lal.
Designation : Secretary
Date : 2026.02.27


Accounting Officer
Name : Eng. A. Wijesinghe
Designation : Director General
Date : 2026.02.25


Chief Financial Officer/ Chief Accountant/
Director (Finance)/ Commissioner (Finance)
Name : W.H.C. Himali
Date : 2026.02.

Eng. L.B. Kumudu Lal
Secretary
Department of Government Factory
Koltannawa

Eng. A. Wijesinghe

Director General
Department of Government Factory
Koltannawa

W.H.C. Himali
Chief Accountant
Director (Finance)
Department of Government Factory
Koltannawa



Statement of Cash Flows
For the Period Ended 31st December 2025
Department of Government Factory

ACA (C)

	ACTUAL	
	2025 Rs.	2024 Rs.
<u>Cash Flows from Operating Activities</u>		
Total Tax Receipts		
Fees, Fines, Penalties and Licenses		
Profit		
Non Revenue Receipts		
Revenue Collected on behalf of Other Revenue Heads	63,950,987	35,147,211
Imprest Received	306,167,186	338,687,744
Recoveries from Advance	565,729,312	510,493,270
Deposit Received	47,126,655	46,074,944
Total Cash generated from Operations (A)	982,974,140	930,403,170
<u>Less - Cash disbursed for:</u>		
Personal Emoluments & Operating Payments	196,608,898	151,401,573
Subsidies & Transfer Payments	647,541	884,682
Rehabilitation & Improvement of Capital Assets, Capital Transfers, Capacity Building & Other Capital Expenditure	32,033,343	
Expenditure incurred on behalf of Other Heads	75,162,712	85,678,131
Imprest Settlement to Treasury	60,100,813	136,713,966
Advance Payments	520,609,054	434,556,577
Deposit Payments	46,654,567	37,638,908
Refund from Revenue	18,002,800	
Total Cash disbursed for Operations (B)	949,819,728	846,873,838
NET CASH FLOW FROM OPERATING ACTIVITIES (C)=(A)-(B)	33,154,412	83,529,332
<u>Cash Flows from Investing Activities</u>		
Interest	-	-
Dividends	-	-
Divestiture Proceeds & Sale of Physical Assets	-	-
Recoveries from On Lending	-	-
Total Cash generated from Investing Activities (D)	-	-
<u>Less - Cash disbursed for:</u>		
Capital Asset Construction, Purchases & Other Investment Acquisitions	-	83,512,202
Purchase or Construction of Physical Assets & Acquisition of Other Investment	33,154,412	
Total Cash disbursed for Investing Activities (E)	33,154,412	83,512,202
NET CASH FLOW FROM INVESTING ACTIVITIES (F)=(D)-(E)	(33,154,412)	(83,512,202)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (G)=(C)+(F)	0	17,130
<u>Cash Flows from Financing Activities</u>		
Local Borrowings	-	-
Foreign Borrowings	-	-
Grants Received	-	-
Total Cash generated from Financing Activities (H)	-	-
<u>Less - Cash disbursed for:</u>		
Repayment of Local Borrowings	-	-
Repayment of Foreign Borrowings	-	-
Total Cash disbursed for Financing Activities (I)	-	-
NET CASH FLOW FROM FINANCING ACTIVITIES (J)=(H)-(I)	-	-
Net Movement in Cash (K) = (G) + (J)	(0)	17,130
Opening Cash Balance as at 01st January	-	-
Closing Cash Balance as at 31st December	-	17,130

Statement of Losses and Waivers
(Losses under F.R. 106 and F.R. 113)

Expenditure Head No : 310 Department of Government Factory
Programme No. & Title : 2, Development Activities

(i) Statement of Losses Recovered/Written off/Waived off during the year.

	<u>No. of Cases</u>	<u>Total Amount (Rs.)</u>
Value		
Below Rs. 25,000.00		
Over Rs. 25,000.01		
Total		
Classification of the cases by nature of Losses.		
Non received Advance B Account balance	<u>No. of Cases</u>	<u>Value (Rs.)</u>
Total		<u>0.00</u>

(ii) Statement of Losses being held to be Written off/Waived off or recoverable so far

	<u>No. of Cases</u>	<u>Total Amount (Rs.)</u>	<u>Age Analysis per (ii)</u>		
Value			<u>Less than five years</u>	<u>No. of Cases</u>	<u>Amount (Rs.)</u>
Below Rs. 25,000.00	1	20,050.00			1,086,538.27
Over Rs. 25,000.01	8	1,066,488.27	<u>5-10 years</u>	<u>No. of Cases</u>	<u>Amount (Rs.)</u>
					0
			<u>Over 10 years</u>	<u>No. of Cases</u>	<u>Amount (Rs.)</u>
					0
Total		<u>1,086,538.27</u>			

Classification of the cases by Nature of Losses

Vehicle Accidents
Other (Theft of Goods)

<u>No. of Case</u>	<u>(Rs.)</u>
7	708,946.00
2	377,592.27
Total	<u>1,086,538.27</u>

Note- Details on losses under F.R.106 and waives under F.R. 113 which were accounted under object code no 1701 are to be accounted in coming years should be included.

*When there are no information with regard to this report, a nil report should be submitted.

Chief Financial Officer /Chief Accountant/Director (Finance)/Commissioner (Finance)

Date : 2026.02. 24

Chief Financial Officer
Department of Government Factory



3.1.1 Statement of Financial Performance of the Work Done Advance Account.

GOVERNMENT FACTORY - KOLONNAWA
WORK DONE ADVANCE ACCOUNT - 2025
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2025

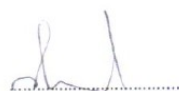
	Note	2025 Rs.	2024 Rs.
Revenue	1	265,080,150.04	301,100,475.16
Manufacturing & Over Head Expenses	2	(209,542,432.90)	(273,258,377.82)
Gross Profit		55,537,717.14	27,842,097.34
Other Income	4	795,372.27	101,278.82
Administration Expenses	3	(35,478,239.38)	(14,764,104.92)
Net Profit for the year		20,854,850.03	13,179,271.24

GOVERNMENT FACTORY - KOLONNAWA
WORK DONE ADVANCE ACCOUNT - 2025
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	Cost	Accumulated Depreciation	2025 Rs.	2024 Rs.
				Net Worth	Net Worth
ASSETS					
<u>NON Current Assets</u>					
Plant and Machinery (NEW)	5	360,828,819.75	28,670,817.79	332,158,001.96	325,623,943.23
Motor Vehicles	6	70,847,359.61	7,576,583.97	63,270,775.64	63,270,775.64
Furniture and office equipment	7	11,584,620.38	6,901,499.35	4,683,121.03	4,344,588.59
		443,260,799.74	43,148,901.11	400,111,898.63	393,239,307.46
<u>Current Assets</u>					
Stock as at 31-12-2025	8			80,131,685.07	47,476,674.25
Debtors	9			608,966,406.02	574,183,874.63
Stores Advance A/C				27,502,220.59	17,812,118.44
Receivable Bid Bond Deposits				266,414.24	222,209.12
Treasury Authorized Advance A/C				442,332,557.08	385,167,075.47
				1,159,199,283.00	1,024,861,951.91
Total Assets				1,559,311,181.63	1,418,101,259.37
<u>LIABILITIES</u>					
<u>Current Liabilities</u>					
Advance Received	11			90,081,185.72	44,806,180.19
Vat Payable				396,481,026.64	369,769,322.83
Accrued Expenses	12			380,814.97	890,402.28
Excess Income From Debtors				14,031,641.37	13,738,660.50
Payable Bid Bond Deposits				2,912,126.92	2,912,126.92
Allocation Appropriation Account				35,000,000.00	2,000,000.00
Total Liabilities				538,886,795.62	434,116,692.72
Net Assets				1,020,424,386.01	983,984,566.65

GOVERNMENT FACTORY - KOLONNAWA
WORK DONE ADVANCE ACCOUNT - 2025
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note			2025 Rs.	2024 Rs.
NET ASSETS/ EQUITY					
Expenditure met from voted funds				444,014,643.51	437,142,052.34
Expenditure met from Depreciation Reserve				1,682,923.97	1,682,923.97
Accumulated Profit				292,883,594.90	271,302,800.01
Accumulated Depreciation				281,843,223.63	273,856,790.32
Total Net assets / equity				1,020,424,386.01	983,984,566.64



W.H.C. Himali
Chief Accountant

Date 2026/02/27



Eng. A. Wijesinghe
Director General

Date 2026/02/27



eng. L.B. Kumudu Lal
Secretary

Date 2026/02/27



Eng. A. Wijesinghe
Director General
Department of Government Factories
Kolonnawa

GOVERNMENT FACTORY - KOLONNAWA
WORK DONE ADVANCE ACCOUNT - 2025

STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Expenditure Met From Voted Fund Rs.	Expenditure Met From Depreciation Reserve Rs.	Accumulated Profit / Loss Rs.	Accumulated Depreciation Rs.	Total Net Assets / Equity Rs.
Balance as at 01-01-2024					
Purchase Assets Of the Year 2024	428,594,598.64	1,682,923.97	278,039,875.01	273,856,790.32	982,174,187.94
Disposals of the Year 2024	8,547,453.70				8,547,453.70
Change in net Assets / Equity for 2024					
Profit for the Year			13,179,271.24		13,179,271.24
Prior year Adjustment			(19,916,346.24)		(19,916,346.24)
Balance as at 31-12-2024	437,142,052.34	1,682,923.97	271,302,800.01	273,856,790.32	983,984,566.64
Purchase Assets Of the Year 2025	6,872,591.17	-	725,944.86	547,713,580.64	6,872,591.17
Prior year Adjustment					725,944.86
depreciation for the year				7,986,433.31	7,986,433.31
Profit for the Year			20,854,850.03		20,854,850.03
Balance as at 31-12-2025	444,014,643.51	1,682,923.97	292,883,594.90	273,856,790.32	1,020,424,386.01

GOVERNMENT FACTORY - KOLONNAWA
WORK DONE ADVANCE ACCOUNT - 2025
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 Rs.	2024 Rs.
Cash Flows From Operating Activities		
Net Profit Before Taxation	20,854,850.03	13,179,271.24
Adjustment For :-		
Prior Year Adjustment	725,944.86	(19,916,346.24)
Other Income	(795,372.27)	(101,278.82)
Depreciation	7,986,433.31	8,433,675.18
Operating Profit Before working Capital Changes	28,771,855.93	1,595,321.36
Increase / (Decrease) in Operating Assets		
Trade and Other Payable	104,770,102.90	60,395,202.21
Inventories	(32,655,010.83)	43,665,039.36
Trade and Other Receivable	(44,516,838.66)	(23,157,735.62)
Net Cash Flow from Operating activities	56,370,109.34	82,497,827.31
Cash Flow From Investing Activities		
Other Income	795,372.27	101,278.82
Purchase of fixed Assets	(6,872,591.17)	(8,547,453.70)
Cash Flow From Financial Activities		
Allocation from Voted Fund	6,872,591.17	8,547,453.70
Net increase in Cash and Cash equivalents	57,165,481.61	82,599,106.13
Opening Treasury Authorized Advance A/c	385,167,075.47	302,567,969.34
Closing Treasury Authorized Advance A/c as at 31/12/2025	442,332,557.08	385,167,075.47

3.2 Utilization of Allocated Provisions Performance Rs. 000

Type of provision	Allocated provisions		Actual cost	to use Allocation Completed Final Allocation Amount as %
	Original provision	Final provision		
Repetitive	216,000	214,500	198,044	92.32%
Capital	74,000	75,500	65,188	86.34%

3.3 Performance on donations and other receipts

Institution donated	Purpose of donation	Donation amount
NIL	NIL	NIL

3.4 Non-financial assets reporting performance Rs. 000

Assets Code	Code description	Balance as per the assets survey report as on 31.12.2024	As on 31.12.2023 Balance as per statement of financial position	To be accounted for in the future	Reporting progress as %
9151	Buildings and structures	Stable Provision to carry out survey work on the above items under asset survey Balances cannot be given as per goods survey report due to non availability.	408,971	Comparisons have been made between the commodity survey report and the financial status report for the year 2025.	100%
9152	Machinery Vehicles		365,980		
9153	Land		72,379		
9160	WIP		240,000		
			-		

3.8 Auditor General's Report

Director General
Department of Government Factory

Head 310 - Summary Report of the Auditor General on the Financial Statements of the Department of Government Factory for the year ended 31 December 2025 in terms of Section 11(1) of the National Audit Act No. 19 of 2018.

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 2025 comprising the statement of financial position as at 31 December 2025 and the statement of financial performance, cash flow statement for the year then ended and the details of significant accounting policies, 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. My comments and observations on these financial statements submitted to the Department of Government Factory in terms of Section 11(1) of the National Audit Act No. 19 of 2018 are included in this report. The report of the Auditor General that should be submitted in terms of Section 10 of the National Audit Act, No 19 of 2018 which should be read in conjunction with sub section 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka will be tabled in the Parliament in due course.

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 on the basis of matters set out in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Emphasis of matter – Basis of the 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. 02/2025 dated 17 December 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

In compliance with Financial Regulations 150 & 151 and State Accounts Guidelines No. 06/2024 dated 16th December 2024, it is the responsibility of the Chief Accounting Officer to determine the internal controls required for the preparation of financial statements that reflect a fair view regarding all materialities for the preparation of financial statements without material misstatements that may result from 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 on Audit of Financial Statements

My objective is to express a 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 audit 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, they could reasonably be expected to influence the economic decisions of users taken 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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the structure of financial statements including disclosures and content-based transactions and events the structure that the financial statements are appropriate and reasonable.
- Evaluate the overall presentation, 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.

I will communicate to the Chief Accounting Officer regarding the significant audit findings, including any significant deficiencies in internal control that I have identified during the audit.

1.6 Comments on Financial Statements

1.6.1 Payment of Advances

(a) Stores Advance Account

- i According to Financial Regulation F.R. 501, the Stores Advance Account is maintained neither with the intention of making a profit nor expecting a loss, and the inventory is valued at the price at which goods are brought in. The introduction to the 2025 Stores Advance Account stated that stocks are issued by adding 10 percent to the cost to cover purchasing, warehousing, and operational expenses. After deducting the issue cost of Rs. 65,264,395, employee expenses, and supply expenses of Rs. 16,959,887 from the year's issues, the accounts showed a surplus of Rs. 6,480,780.
- ii When adjusting the profit of Rs. 6,480,780 from the Stores Advance Account to the Work Done Advance Account, costs related to items not directly involved in production activities such as fuel and stationery were adjusted under direct material costs without segregation, resulting in an understatement of production costs.
- iii The balance of issues over expenditure in the Receipts and Issues Account for the year under review, which was Rs. 6,480,780, was stated in the balance sheet as Rs. 6,762,410, thereby being understated by Rs. 281,630.

(b) Work Done Advance Account

- i Although an expected operating loss of Rs. 35,000,000 for the year under review was debited under Object Code 1701 - "Losses and Write-offs", a profit of Rs. 20,854,850 was recorded in the Work Done Advance Account at the end of that year. Since this is a large variance of over Rs. 55,854,850, an accurate methodology had not been followed in estimating operating losses. The truth and fairness of these expense provisions were not confirmed due to the non-preparation of quarterly profit and loss accounts for the provisions made under Object Code 1701, and the failure to submit sufficient evidence, bases of calculation, and approvals.
- ii According to Accounting Policy No. 4 relevant to the Work Done Advance Account, it was disclosed that the actual cost incurred for a project is recognized as the turnover for that year. However, a sample test revealed that the turnover had been recognized in excess of the actual cost. Accordingly, the actual cost of 11 projects was Rs. 30,188,906, whereas the project turnover was recognized as Rs. 51,019,136. Consequently, the turnover was overstated by Rs. 20,830,230.
- iii The debtor balances amounting to Rs. 14,068,763 relating to 06 projects shown in the 2025 debtor schedule were not included in the project cost list for the year under review.
- iv When remitting the previous year's profit of Rs. 13,179,271 to the state revenue, it was recorded as an expense under administrative expenses instead of being removed from the accumulated profit. As a result, the expenditure for the year under review increased by that amount, and the profit was understated.
- v Accounting for a bid deposit value of Rs. 1,840,111, which should have been recognized as an asset, as an expenditure resulted in an understatement of the asset value and an overstatement of expenses for the year under review by that amount.
- vi The maturity value of a bid deposit of Rs. 85,000, which should have been accounted for as a receipt of bid deposit, was recorded as revenue receipts.
- vii The refund of a retention money amount of Rs. 104,190 retained from a customer in the year 2019 was included under administrative expenses, thereby overstating expenses by that amount.
- viii Administrative expenses not directly related to the production process, namely bid deposit expenses of Rs. 1,840,111 and iron scrap transport expenses of Rs. 17,364, were included in the production cost, resulting in an overestimation of production cost and an underestimation of gross profit.
- ix Although an amount of Rs. 725,945 had been adjusted to the accumulated profit under prior year adjustments to correct prior period errors, no disclosure had been

made regarding this in terms of Paragraph 54 of the Sri Lanka Public Sector Accounting Standard 03.

- x Expenditure head receipts of Rs. 198,009 received for the work done account in December 2024 were realized in January of the year under review, and that value had been included in the production cost of the year under review.
- xi The total value of 02 cheques amounting to Rs. 5,989,592, which had been received by a bank account on December 15 and 29, 2025 as expenditure head receipts of the Department, had not been accounted for as expenditure head receipts for the year under review.
- xii Though a cheque for Rs. 1,518,578 had been issued from another bank account to the Director General's bank account for expenditure head receipts on November 13, 2025, it had not been presented for payment even up to January 31, 2026. Although this cheque should have been adjusted to the production cost as expenditure head receipts for the year under review, it had not been done.
- xiii An amount of Rs. 6,303,721 deposited in the Department's bank account as a performance bond for project No. 2214 of the Water Supply Board, which is implemented by the Department, had been shown as an administrative expense instead of being presented as an asset of the Department.
- xiv Even though Paragraph 86 of the Sri Lanka Public Sector Accounting Standard 07 states that disclosures should be made regarding property, plant, and equipment concerning useful life, depreciation rates, additions, disposals, and accumulated depreciation, adequate disclosures had not been so made.
- xv Although the annual depreciation value of Rs. 7,986,433 calculated for fixed assets for the year under review should have been added to the accumulated depreciation value of the respective assets in the Statement of Financial Position and deducted from the cost value of the assets to show the net value in the Statement of Financial Position, the net value of assets was not correctly stated due to not doing so. Furthermore, an accumulated depreciation provision of Rs. 281,843,223 had been erroneously included in the statement of changes in equity.
- xvi Because a furniture purchase of Rs. 338,532 shown in journal entry 117 was inappropriately adjusted to motor vehicle costs, and its accumulated depreciation was adjusted to the accumulated depreciation value of furniture, it was observed that the values of furniture and motor vehicles shown in the Statement of Financial Position were incorrect.
- xvii According to the Statement of Financial Position as of December 31, 2022, the total of debtor balances that existed in the years 2008 and 2009 was Rs. 36,941,553. However, according to the committee report with the approval of the Ministry Secretary for write-offs, the total of those debtors was Rs. 4,045,992. Despite this, the

entire balance of Rs. 36,941,553 relating to the years 2008 and 2009 had been written off in the financial statements.

1.6.2 Lack of evidence for audit

Detailed schedules related to the depreciation reserve fund of Rs. 1,682,924 and balance confirmation certificates for the debtor balance of Rs. 608,966,406 were not submitted for audit.

1.6.3 Non-maintenance of registers and books

The Government Factory Department had not maintained the following registers in an up-to-date manner:

Type of Register	Relevant Regulation	Observations
i. Register of Losses	Provisions of Financial Regulation 110	Not updated
ii. Register of Liabilities	Provisions of Financial Regulation 445	Ditto
iii. Stock Registers	Provisions of Financial Regulation 751	Ditto
iv. Votes Ledger	Provisions of Financial Regulation 447	Ditto
v. General Deposit Ledger	Provisions of Financial Regulation 565(1)	Ditto

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

Paragraph Reference of the Previous Year's Report	Unimplemented Recommendation	Paragraph Reference of This Report
1.6.3 (e)	According to the Statement of Financial Position as of December 31, 2022, the total of debtor balances that existed in the years 2008 and 2009 was Rs. 36,941,553. However, according to the committee report with the approval of the Ministry Secretary for write-offs, the total of those debtors was Rs. 4,045,992. Despite this, the entire	1.6.1 (b)(xvii)

balance of Rs. 36,941,553 relating to the years 2008 and 2009 had been written off in the financial statements.

3. Financial Review

3.1 Expenditure Management

- a) Due to acting without proper study and planning when preparing estimates, budgetary provision savings occurred, ranging from 98 percent in 01 expenditure head and from 40 percent to 53 percent in 04 expenditure heads.
- b) The reasons provided for the savings remaining after the utilization of annual budgeted provisions concerning 05 expenditure heads were incorrect and therefore not in an acceptable condition.

3.2 Exceeding limits

The minimum limits of receipts for the Work Done Advance Account and the Stores Advance Account, as amended by Cabinet Memorandum Nos. 25/2476/827/006 and 25/2373/827/002 dated December 03, 2025, approved by the Cabinet of Ministers on December 29, 2025, were Rs. 325,000,000 and Rs. 60,000,000 respectively. However, in the ACA-05 form, the amounts approved by the Appropriation Act prior to the amendment had been stated as Rs. 450,000,000 and Rs. 120,000,000 respectively.

3.3 Incurring of liabilities and commitments

- a) Although no liabilities were recorded in the Statement of Commitments and Liabilities within the financial statements, liabilities amounting to Rs. 4,408,366 had been incurred at the end of the year under review.
- b) According to Regulation 94(1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, no department should enter into any expenditure or liability for any work, service, or supply unless provisions exist in the annual estimates. However, due to the preparation of estimates without proper study and planning, liabilities totaling Rs. 1,630,993 had been entered into, exceeding the estimated provisions across 05 expenditure heads.

3.4 Certification to be made by the Accounting Officer

According to the provisions of Section 38 of the National Audit Act, No. 19 of 2018, the Chief Accounting Officer and the Accounting Officer must certify that an effective internal control system is designed and maintained for the financial control of the Government Factory Department. Furthermore, a periodic review of the system's effectiveness should be conducted, necessary changes made accordingly to ensure effective operation, and a copy of such written reviews submitted to the Auditor General. However, statements confirming that such reviews were conducted were not submitted for audit.

3.5 Non-compliance with Laws, Rules, and Regulations

The following instances of non-compliance with the provisions of laws, rules, and regulations were observed during sample audit examinations.

Reference to Laws, Rules and Regulations	Non-compliance
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka Chapter XIX, Paragraph 6.4	Out of 60 houses located across 06 floors of the "Sanhinda Sevana" housing complex, 33 houses could not be inspected during the inspection as they were locked. Among the 27 houses that were inspected, the Housing Inspection Board reported that 06 houses had been rented out. Although the relevant regulation strictly prohibits subletting houses or keeping paying guests and boarders, three of the officers who had rented out their houses had not been evicted from their residences up to the end of the year under review.
(b) Financial Regulations (F.R.) of the Democratic Socialist Republic of Sri Lanka i. Financial Regulation No. 504 (1)	Although the Department is required to prepare statements at the end of each quarter concerning trade debtors and creditors, finished goods, raw materials, stores and supplies, and the prescribed limits for advance accounts, and submit them to the Chief Accounting Officer with a copy to the Auditor General, it had failed to do so.
ii. Financial Regulation No. 756 (6) and Public Finance Circular No. 01/2020 dated August 28, 2020	Necessary actions regarding the goods mentioned in the "General 47" report had not been taken, and the 2024 disposal reports had not been submitted.
(c) Asset Management Circular No. 01/2017 dated June 28, 2017, issued by the Secretary to the Treasury under reference MF/CG/02/(iv).	For the purpose of asset and cost management, actions had not been taken to submit required information on non-financial assets such as buildings and machinery to the Comptroller General under the registration framework for all government non-financial assets.

4. Operational Review

4.1 Performance

4.1.1 Vision and Mission

The Government Factory Department was established on January 10, 1971, as a "Class A" department to execute mechanical engineering works. Accordingly, its vision was to become the premier public institution providing manufacturing, services, and training in the Sri Lankan mechanical engineering sector through sustainable development. The department's operations span across four key areas: the manufacturing sector, the construction sector (heavy

fabrication), the repair and maintenance sector, and mechanical engineering consultancy services.

4.1.2 Non execution of Projects

(a) Repairing the roof of the second floor of the Ministry of Health

- For the roof repair of the second floor of the Ministry of Health at "Suwasiripaya", a bill of Rs. 3,780,162 was submitted for work done up to November 28, 2024. The invoice stated that high-risk sections were dismantled and decayed parts were removed, representing only about 25 percent of the agreed total scope of work. Although a 20 percent advance payment could have been obtained under the Procurement Guidelines, the Department failed to claim it. Instead, it executed the project by fully deploying its own funds. Heavy rains during the uncompleted roof repair caused widespread damage. A Financial Regulation 104 investigation committee appointed by the Secretary to the Ministry of Health estimated total damages at Rs. 1,716,375. From this amount, Rs. 429,275 was deducted to offset ceiling repairs, leaving a remaining balance of Rs. 1,287,100. From the total loss incurred, the amount was deducted from the funds payable to the Department, and only a sum of Rs. 2,115,021 was released to the Department on December 29, 2025. By the end of the year under review, no actions had been taken to identify the parties responsible for this loss, and it was revealed that the relevant loss had not been accounted for in the books.

(b) Underground Electric Cable Layering Project

Before implementing this project, a proper feasibility study had not been conducted to correctly identify requirements and prepare designs. As a result, during the execution phase, it was realized that a work scope valued at Rs. 8,425,000 representing 35 percent of the initial Rs. 23,858,572 estimate was completely unnecessary and was therefore dropped. Conversely, essential work items valued at Rs. 2,236,800, which were omitted from the original estimate, were subsequently identified and executed under Special Schedule of Rates (SSR). Because of this, the opportunity to secure competitive, advantageous pricing during bidding was lost and as a result of including 35 percent of unnecessary works in the Bill of Quantities (BOQ), the fundamental principles of public procurement had been violated.

(c) Inspection of the Construction of the Internal Road System of the Government Factory Using Asphalt Concrete

This project was agreed upon on July 05, 2021, for a contract value of Rs. 7,560,525. The bidder failed to submit mandatory bid documents proving they possessed the compulsory personnel i.e. an engineer and a technical officer experienced in asphalt concrete road construction. Consequently, the Technical Evaluation Committee rejected

the bidder. However, after the bidder submitted a written request threatening legal action and agreed to provide the required officers later, the contract was awarded back to the same entity. This selection process directly violated the core principles of transparency, fairness, and equal opportunity for bidders outlined in the 2006 Government Procurement Guidelines.

Under the Rs. 7,707,210 contract obtained by the Government Factory Department from the State Development and Construction Corporation for the road construction, earth excavation and Aggregate Base Coarse (ABC) filling volumes increased from 300 cubic meters to 538.25 cubic meters. Although this resulted in an overall variation of 19 percent, payments for this variation—which exceeded the 10 percent threshold—were approved on December 31, 2021, based on the TEC's recommendation but completely without the mandatory Ministry approval. Furthermore, while only 23 pipes should have been used to lay pipes at 20-meter intervals along the 473-meter road, 25 pipes were estimated at a cost of Rs. 1,300,000. Subsequently, even exceeding that estimate, an additional sum of Rs. 468,000 was paid under extra works to lay another 9 pipes, without any approval from the Technical Evaluation Committee or the Procurement Committee.

Because the cost of Rs. 120,000 relevant to removing the main water supply line on the institutional premises was omitted from the initial estimate, it had to be paid under extra works. Moreover, although the contractor was paid in full for constructing a road with a length of 473 meters and a width of 4 meters, a sample audit inspection revealed that the road width at 12 separate locations was deficient, ranging between 3.70 and 3.95 meters. This reduced the average width of the road to 3.836 meters. This construction defect, deviating from standard specifications, has hindered the fulfillment of the transportation objectives expected from the project.

4.1.3 Delays in Project Execution

The Department of Posts agreed to an estimate of Rs. 104,412,899 submitted by the State Engineering Corporation of Sri Lanka for the construction of a temporary building for the Transport Division of the Department of Posts and paid Rs. 3,795,000 on December 31, 2018. However, a discussion on January 13, 2019, confirmed that the soil of the proposed land was unsuitable. Consequently, stating that the construction would be relocated to another site based on a newly prepared plan, further sums of Rs. 10,710,572 on March 14, 2019, and Rs. 7,694,000 on March 06, 2020, were collected from the Department of Posts, totaling Rs. 22,199,572. Despite this, the physical progress of the project was only about 10 percent as of December 31, 2025. Even though 06 years had elapsed, no actions had been taken to either complete and hand over the project or refund the money received.

4.1.4 Annual Performance Report

Though the Annual Performance Report should be submitted not later than one hundred and eighty days after the closure of every financial year in terms of Section 47(4) of the Public Finance Management Act, No 44 of 2024 and according to paragraph 10(2) of the Public Finance Circular 2/2020 dated 28 August 2020, the annual performance report should be prepared as per format set forth in Guidelines No.14 issued by the Department of Public Finance. However, it had not been submitted for audit along with the annual financial statements as required by Section 16(2) of the National Audit Act, No. 19 of 2018.

4.2 Asset Management

- a) It was observed that the showroom spanning 265 square meters, constructed in front of the factory building to display goods manufactured by the Government Factory, had been closed down for a long period without being utilized for its intended purpose.
- b) The management had recommended repairing the old cafeteria building located within the factory premises to be used as a night shift workers' rest room .For repair purposes, the roof had been dismantled and removed in the year 2023. It was observed that the repair work on this building had not commenced even by the audit date of January 16, 2026, and the walls of the building were deteriorating due to rain damage.
- c) Three (03) vehicles belonging to the department, valued at Rs. 4,500,000, had remained in an inoperative/idle condition since the years 2023 and 2024. No action had been taken either to repair and utilize them or to dispose of them.
- d) Sixteen (16) items of machinery valued at Rs. 2,297,400 had remained unutilized for about 08 years. Out of these, five (05) items of machinery valued at Rs. 738,400 were in a usable condition after minor repairs. However, no action had been taken to carry out those repairs or to appropriately dispose of the remaining items.

4.3 Provision of Security by Public Officers

In terms of the provisions of Financial Regulation 880, officers who are administratively responsible for—or to whom duties have been assigned under delegated authority for—the receipt, custody, or disbursement of public money, revenue stamps, or stores, as well as officers who certify vouchers or sign cheques on Government Accounts, must furnish security to guarantee the honest performance of their duties, in accordance with the Public Officers' (Security) Ordinance (Chapter 612). However, Additional Director General Assistant Director (Administration), Assistant Director (Planning), Chief Engineer, Engineer, Chief Accountant, Accountant, Storekeeper and Drivers had failed to furnish security.

4.4 Losses and Damages

An amount of Rs. 165,055 had been paid as losses and write-off expenses under expenditure item number 1701 (15.pdf p. 1). However, this had not been included in Annexure (i) - Statement of Losses and Omissions of the financial statement.

4.5 Management Inefficiencies

- a) Due to weaknesses in the old computer software system of the Government Factory, functions such as inventory control, stock ordering, purchasing, and estimation were operating irregularly. To upgrade the existing system for proper execution, price quotations were called, and a payment of Rs. 2,954,700 was made to a private company on December 31, 2021. However, despite the computer software system having the facility to automatically generate store orders at the re-order level, handwritten store orders were instead being submitted to the purchasing division.
- b) No action had been taken to recover a loan balance of Rs. 142,650 due for over 16 years from an officer who was under suspension. Similarly, action had not been taken to recover an uncollected balance of Rs. 959,588 due from 13 officers who had vacated their posts for periods ranging between 1 and 20 years.
- c) The total of the departmental individual balance classification summary was Rs. 49,208,850, while the balance in the control account was Rs. 49,370,190, resulting in a difference of Rs. 161,340. This discrepancy had neither been identified nor explained.
- d) A total of Rs. 2,185,384 was due from 17 retired officers by the end of the year under review. Out of this, outstanding loan amounts totaling Rs. 420,905 due from 04 officers currently in service had been outstanding for over 20 years, yet no action had been taken to recover them by the end of the year under review.

5. Sustainable Development

5.1 Identification of Sustainable Development Goals

In terms of the United Nations "2030 Agenda" for Sustainable Development, every government institution is required to act accordingly. However, the department had failed to specifically identify and implement the Sustainable Development Goals (SDGs) and their related indicators by the end of the year under review.

6. Human Resources Management

6.1 Approved Staff and Actual Staff

As of December 31, 2025, the department had not taken action to fill 510 vacancies existing between the approved and actual cadre, or to revise the number of posts according to requirements. Among these vacancies, senior-level positions including 05 posts of Chief Engineer, as well as the posts of Deputy/Assistant Director, Mechanical Engineer, Electrical Engineer, Civil Engineer, and Legal Officer, along with a tertiary-level post of Chief Draftsman/Designer, had remained vacant since April 06, 2016 i.e. the date the posts were approved. This long-standing vacancy status had directly affected the operational activities of the department.

W.D. Seetha

Deputy Auditor General

for Auditor General

Chapter 04- Performance Indicators

4.1 Performance Indicators of the Department (Based on the Action Plan)

Special indicators	Actual output as a % of the expected output		
	100% - 90%	75% - 89%	50% - 74%
Work done advance			√
Capital expenditure			√

Chapter 05 – Performance in achieving Sustainable Development Goals

5.1 Identified Sustainable Development Goals

Goal/objective	Targets	Achievement indicators	Progress of the achievement to date		
			0% - 49%	50% - 74%	75% - 100%
SDG 4 – Quality Education (Producing individuals with the technical and vocational skills required for employment)	100%	• Training 30 trainees annually			√
SDG 8 – Decent Work and Economic Growth (Enhancing industrial productivity)	100%	• Increase in production productivity through the expenditure of Rs. 29 million in capital allocations for the purchase of modern technological machinery			√
SDG 9 – Industry, Innovation and Infrastructure (Conducting engineering research and innovation activities)	100%	• Expenditure of Rs. 2 million in capital allocations for research and development activities			√
SDG 12 – Responsible Consumption and Production (Minimizing raw material wastage and promoting recycling)	100%	• Recycling approximately 300 kg of metal scrap		√	

5.2 Achievements and challenges in attaining SDGs

- Obtaining a patent for an innovation.
- Enhancing production productivity through the use of modern technology-based machinery, such as laser welding machines.
- Minimizing raw material wastage through the use of laser cutting machines.

Chapter 06 –Human Resources Profile

6.1 Carder Management

Level	Approved carder	Present work force	Vacancies / excers
Senior	31	20	11
Tertiary	10	01	09
Secondary	296	104	192
Primary	445	147	298
Total	782	272	510

6.2 Impact of Human Resource Shortages / Surpluses on Organizational Performance

- The approved cadre for primary grades is 445, while there are currently 298 vacancies.
- Due to the shortage of officers in the secondary grades, multiple responsibilities have been assigned to a limited number of individuals, which has negatively affected the efficiency of those tasks.
- When several projects must be carried out simultaneously, the lack of adequate staff has a significant impact on overall performance.
- Salaries and wages for the existing production staff and primary-grade employees are paid from the Work Done Advance Account. Hence, recruitment decisions must also take this financial capacity into consideration.

6.3 Contribution of training programs for the performance of the institution-2024

No	Name of the program	No of employees trained	Duration of the program	Overall investment (Rs)	Type of training (Local, foreign)	Knowledge acquired after training
1.	Occupational Safety	113	01 day	0.00	Local	Satisfactory
2.	Metal Production I	96	01 day	0.00	Local	Satisfactory
3.	Metal Production II	101	01 day	0.00	Local	Satisfactory
4.	Vehicle Maintenance	95	01 day	0.00	Local	Satisfactory
5.	One-Day Workshop on Welding	02	01 day	0.00	Local	Satisfactory
6.	Information Session on JICA Training on KCCP / Short Term & Long Term Programmers	17	01 day	0.00	Local	Satisfactory

For the year 2025, a provision of Rs. 2 million was approved for training programs under expenditure head 310-2-1-0-2401. Accordingly, for the year 2025, approximately 80% of the allocated Rs. 2 million was spent as follows:

No	Name of the program	Number of employees trained	Duration of the program	Overall investment (Rs)	Type of training (Local, foreign)	Knowledge acquired after training
1	Certificate Course on Procurement Procedures	1	10 day	30,000.00	Local	Satisfactory
2	Training on Calculation and Payment of Civil Pensions	1	02 day	13,000.00	Local	Satisfactory
3	One-Day Training Programme on Filing and Official Correspondence Preparation	27	01 day	65,000.00	Local	Satisfactory
4	Discipline and Office Etiquette Training for Drivers and Office Support Staff	1	02 day	13,000.00	Local	Satisfactory
5	Public Procurement Procedures & Practices	2	01 day	54,000.00	Local	Satisfactory
6	Public Procurement Procedures & Practices	2	01 day	38,400.00	Local	Satisfactory
7	Advanced Corrosion Protection Techniques: Hot dip Galvanizing & Beyond	4	01 day	60,000.00	Local	Satisfactory

8	Investigation Conducted under Financial Regulation (F.R.) 104 on Losses and Damages	1	01 day	6,500.00	Local	Satisfactory
9	Duties and Responsibilities of the Leave Officer	3	01 day	19,500.00	Local	Satisfactory
10	In-House Awareness Programme on ISO 9001:2015 Standard Requirements 01 Day	30	01 day	121,025.52	Local	Satisfactory
11	Process mapping and simulation modeling	02	04 day	128,000.00	Local	Satisfactory
12	Introduction to Artificial Intelligence	01	40 hours	41,000.00	Local	Satisfactory
13	Office Procedures Training Programme	03	01 day	36,000.00	Local	Satisfactory
14.	Scientific, Economical and Efficient Driving	01	01 day	6,000.00	Local	Satisfactory
15.	Electrical safety and regulation Group 01	06	01 day	252,000.00	Local	Satisfactory
16.	Electrical safety and regulation Group 02	06	04 day	252,000.00	Local	Satisfactory
17.	Office Note Writing and Official Correspondence	03	01 day	19,500.00	Local	Satisfactory

Chapter 07 - Compliance Report

No.	Applicable Requirement	Compliance Status (Complied/Not complied)	Brief explanation for non-compliance	Corrective actions proposed to avoid non-compliance in future
1	The following Financial statements/accounts have been submitted on due date			
1.1	Annual financial statements	Complied		
1.2	Advance to public officers account	Complied		
1.3	Trading and Manufacturing Advance Accounts (Commercial Advance Accounts)	Complied		
1.4	Stores Advance Accounts	Complied		
1.5	Special Advance Accounts	-		
1.6	Others	-		
2	Maintenance of books and registers (FR 445)			
2.1	Fixed assets register has been maintained and updated in terms of Public Administration Circular 267/2018.	Complied		
2.2	Personal emoluments register/ Personal emoluments cards has been maintained and updated.	Complied		
2.3	Register of Audit queries has been maintained and updated.	Complied		
2.4	Register of Internal Audit reports has been maintained and updated.	Complied		
2.5	All the monthly account summaries (CIGAS) are prepared and submitted to the Treasury on due date.	Complied		
2.6	Register for cheques and money orders has been maintained and update	Complied		
2.7	Inventory register has been maintained and updated.	Complied		
2.8	Stocks Register has been maintained and updated.	Complied		
2.9	Register of Losses has been maintained and updated	Complied		
2.10	Commitment Register has been maintained and updated.	Complied		
2.11	Register of Counterfoil Books (GA — N20) has been maintained and updated.	Complied		
3	Delegation of functions for financial control (FR 135)			
3.1	The financial authority has been Delegated within the institute.	Complied		
3.2	The delegation of financial authority has been communicated within the institute.	Complied		
3.3	The authority has been delegated in such manner so as to pass each transaction through two or more officers.	Complied		
3.4	The controls have been adhered to by the Accountants in terms of State Account Circular 171/2004 dated 11.05.2014 in using the Government Payroll Software Package.	Complied		

4.	Preparation of Annual Plans			
4.1	The annual action plan has been prepared.	Complied		
4.2	The annual procurement plan has been prepared.	Complied		
4.3	The annual Internal Audit plan has been prepared.	Complied		
4.4	The annual estimate has been prepared and submitted to the National Budget Department (NBD) on due date.	Complied		
4.5	The annual cash flow has been submitted to the Treasury Operations Department on time.	Complied		
5	Audit queries			
5.1	All the audit queries has been replied within the time specified by the Auditor General	Complied		
6	Internal Audit			
6.1	The internal audit plan has been prepared at the beginning of the year after consulting the Auditor General in terms of Financial Regulation 134(2)) DMA/1-2019.	Complied		
6.2	Answers have been submitted to all internal audit reports within a period of one month.	Complied	Other reasons due to Covid-19 pandemic	Making relevant parties aware as to other delays except those which are beyond the control of the institution
6.3	Copies of all the internal audit reports has been submitted to the Management Audit Department in terms of Sub-section 40(4) of the National Audit Act No. 19 of 2018.	Complied		
6.4	All the copies of internal audit reports have been submitted to the Auditor General in terms of Financial Regulations 134(3)	Complied		
7	Audit and Management Committee			
7.1	Minimum 04 meetings of the Audit and Management Committee has been held during the year as per the DMA Circular 1-2019.	Complied		
8	Asset Management			
8.1	The information about purchases of assets and disposals was submitted to the Comptroller General's Office in terms of Paragraph 07 of the Asset Management Circular No. 01/2017.	Complied		
8.2	A suitable liaison officer was appointed to coordinate the implementation of the provisions of the circular and the details of the nominated officer was sent to the Comptroller General's Office in terms of Paragraph 13 of the aforesaid circular.	Complied		

8.3	The boards of survey was conducted and the relevant reports submitted to the Auditor General on due date in terms of Public Finance Circular No. 05/2016.	Complied		
8.4	The excesses and deficits that were disclosed through the board of survey and other relating recommendations, actions were carried out during the period specified in the circular.	Complied		
8.5	The disposal of condemned articles had been carried out in terms of FR 772.	Complied		
9	Vehicle Management			
9.1	The daily running charts and monthly summaries of the pool vehicles had been prepared and submitted to the Auditor General on due date.	Complied		
9.2	The condemned vehicles had been disposed of within a period of less than 6 months after condemning.	Complied		
9.3	The vehicle logbooks had been maintained and updated.	Complied		
9.4	The action has been taken in terms of F.R. 103, 104, 109 and 110 with regard to every vehicle accident.	Complied		
9.5	The fuel consumption of vehicles has been retested in terms of the provisions of Paragraph 3.1 of the Public Administration Circular No. 30/2016 of 29.12.2016.	Complied		
9.6	The absolute ownership of the leased vehicle logbooks has been transferred after the lease term.	Complied		
10	Management of Bank Accounts			
10.1	The bank reconciliation statements had been prepared, got certified and made ready for audit by the due date.	Complied		
10.2	The dormant accounts that had existed in the year under review or since previous years settled.	Not Complied		
10.3	The action had been taken in terms of Financial Regulations regarding balances that had been disclosed through bank reconciliation statements and for which adjustments had to be made, and had those balances been settled within one month.	Complied		
11	Utilization of Provisions			
11.1	The provisions allocated had been spent without exceeding the limit.	Complied		
	The liabilities not exceeding the provisions that remained at the end of the year as per the FR 94(1).	Complied		
12	Advances to Public Officers Account	Complied		
12.1	The limits had been complied with.	Complied		
12.2	A time analysis had been carried out on the loans in arrears.	Complied		

12.3	The loan balances in arrears for over one year had been settled	Not Complied		Action is taken from the year 2020 to check the balances every month and settle same.
13	General Deposit Account			
13.1	The action had been taken as per F.R.571 in relation to disposal of lapsed deposits.	Complied		
13.2	The control register for general deposits had been updated and maintained.	Complied		
14	Imprest Account			
14.1	The balance in the cash book at the end of the year under review remitted to Treasury Operations Department.	Complied		
14.2	The ad-hoc sub imprests issued as per F.R. 371 settled within one month from the completion of the task.	Complied		
14.3	The ad-hoc sub imprests had been issued without exceeding the limit approved as per F.R. 371.	Complied		
14.4	The balance of the imprest account had been reconciled with the Treasury books monthly.	Complied		
15	Revenue Account			
15.1	The refunds from the revenue had been made in terms of the regulations.	Complied		
15.2	The revenue collection had been directly credited to the revenue account without credited to the deposit account.	Complied		
15.3	Returns of arrears of revenue forward to the Auditor General in terms of FR 176.	Complied		
16	Human Resource Management			
16.1	The staff has been maintained within the approved cadre.	Complied		
16.2	All members of the staff have been issued a duty list in writing.	Complied		
16.3	All reports have been submitted to MSD in terms of their circular no.04/2017 dated 20.09.2017.	Complied		
17	Provision of information to the public			
17.1	An information officer has been appointed and a proper register of information is maintained and updated in terms of Right to Information Act and Regulation.	Complied		
17.2	Information about the institution to the public have been provided by Website or alternative measures and has it been facilitated to appreciate / allegation to public against the public authority by this website or alternative measures.	Complied		
17.3	Biannual and Annual reports have been submitted as per section 08 of the RTI Act.	Complied		
18	Implementing citizens charter			
18.1	A citizens charter/ Citizens client's charter	Complied		

	has been formulated and implemented by the Institution in terms of the circular number 05/2008 and 05/2018(1) of Ministry of Public Administration and Management.			
18.2	A methodology has been devised by the Institution in order to monitor and assess the formulation and the implementation of Citizens Charter / Citizens client's charter as per paragraph 2.3 of the circular.	Complied		
19	Preparation of the Human Resource Plan			
19.1	A human resource plan has been prepared in terms of the format in Annexure 02 of Public Administration Circular No.02/2018 dated 24.01.2018.	complied		
19.2	A minimum training opportunity of not less than 12 hours per year for each member of the staff has been ensured in the aforesaid Human Resource Plan.	complied		
19.3	Annual performance agreements have been signed for the entire staff based on the format in Annexure 01 of the aforesaid Circular.	Not complied		
19.4	A senior officer was appointed and assigned the responsibility of preparing the human resource development plan, organizing capacity-building programs and conducting skill development programs as per paragraph No.6.5 of the aforesaid Circular.	Complied		
20	Responses to Audit Paragraphs			
20.1	The shortcomings pointed out in the audit paragraphs issued by the Auditor General for the previous years have been rectified	Complied		