

Head 149 - Ministry of Industries

1. Financial Statements

1.1 Qualified Opinion

Head 149 - The audit of the financial statements of the Ministry of Industries for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. The Summary Report containing my comments and observations on the financial statements of the Ministry of Industries was issued to the Chief Accounting Officer on 31 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 17 October 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

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

1.2 Basis for Opinion

My opinion is qualified based on the matters appear 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 opinion.

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

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

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

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

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

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

- 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 Ministry'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 Chief Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

I declare 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 previous year,
- (b) Except for the observations shown in Paragraphs (d) (v), (vi), (vii) of the comments on the financial statements of this Report from the recommendations I had made regarding the financial statements related to the previous year, the recommendations made by me in the financial statements presented for the preceding year had been included.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-revenue Receipt

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) It has been stated that the trial balance generated by CIGAS application that the financial statements should be prepared without making any change in accordance with Paragraph 3.1 of State Accounts Guidelines No. 2022/05 dated 13 December 2022. Accordingly, although the Treasury Imprest Receipt was Rs.2,063,733,470 as per the trial balance obtained through the CIGAS application of the Ministry, because it was shown as Rs. 2,972,105,784 in the statement of financial performance, though the increase in Treasury Imprest Receipts by Rs.908,372,314 had been mentioned as the imprest receipts of the State	A sum of Rs. 2,972,105,784 has been shown as Treasury Receipts in the statement of financial performance based on ACA 3 Format. That value has consisted of based on the imprests received directly to the Ministry for the year 2022 and the imprests received directly to the State Ministries under the Ministry in the first 9 months of the year. Likewise, it was further revealed that the imprest balances given to the Government Ministries should also be shown separately in the relevant trial balance and the failure of showing the imprest balances given to the State Ministries so in the trial balance of this Ministry is also a problem .	Accounts should be prepared in terms of State Accounts Guidelines.

Ministries amounted to Rs.908,372,314, it had also not been included in the Treasury Printouts.

- | | | | |
|------|---|---|---|
| (ii) | <p>Except for Treasury imprests, settlements to Advance B Account in cash, receipts of the year as deposit receipts and other receipts are accounted for as imprest receipts from other sources. Accordingly, despite those receipts were included as non-revenue receipts in the form of deposits and advances accounts in the statement financial performance, due to showing Rs.90,105,029 as other main ledger account receivables, the non-revenue receipts had been overstated by Rs.90,105,029 .</p> | <p>In addition to the imprest received from the Treasury amounted to Rs.2,972,105,784 receipts from other sources should also be included according to the ACA 3 Format. Accordingly, the amount of Rs.90,105,029 including receipts from other sources related to the Ministry and 03 State Ministries under it has been included.</p> | <p>Accounts should be prepared in terms of State Accounts Guidelines.</p> |
|------|---|---|---|

(b) Cash flow Statement

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	<p>Although the expenses of the State Ministries had been shown as surcharges as per the trial balance obtained by the CIGAS application, the surcharges amounting to Rs.591,034,918, cash flows generated from operating activities had not been included in the cash flow statement.</p>	<p>There is no understanding of the value of Rs.591,034,918 mentioned in your observation. Nevertheless, the cash flow statement should be based on the cash receipts received by the organization and the cash payments made during the relevant period as per General Accounting Principles. Even so, as you specified in the audit query, inclusion of an amount of Rs.591,034,918 surcharged for taking over the expenses of the Government</p>	<p>Actions should be taken to adjust the value as surcharges in the consolidated trial balance to adjust in the cash flows statement.</p>

Ministries under this Ministry as a cash flow generated from operating activities also is an unacceptable situation.

- (ii) Although the expenditure incurred on behalf of Other Heads in the consolidated trial balance was Rs.613,145,309, as a result, it has been shown in the cash flow statement as Rs.30,824,479, cash outflow on operating activities had been understated by Rs.582,320,830.
- There is also no understanding about the value of Rs.613,145,309 mentioned in your observation. Nevertheless, as cash flows generated from operating activities are accounted for, the amount of Rs.30,824,479 after deducting receipts of Rs.563,815,124 from the value of payments of Rs.594,639,603 of all other Expenditure Heads has been grouped as expenses incurred on behalf of Other Heads in the cash flow statement except for the Expenditure Head 149 in the trial balance . Moreover, capital expenditure has been filed under the category of cash flow generated from investment activities in accordance with Generally Accepted Accounting Principles.
- Actions should be taken to accurately indicate the expenditure made on behalf of Other Heads.
- (iii) A negative value of Rs.8,714,088 had been included in the cash flow statement under the cash outflows on investment activities as Other Heads, construction or purchase of physical assets and acquisition of other investments.
- Excluding Expenditure Head 149 the net value of recurrent expenditure balances of all other Expenditure Heads have been used to calculate cash flows from operating activities and the net value of Rs.8,714,087 entered after deducting receipts of Rs.30,244,713 from payments of Rs.21,530,626 of capital expenditure under all Other expenditure Heads was a negative balance except
- Taking the acquisition value of physical assets a negative value is an unacceptable situation and actions should be taken to enter the accurate values.

Expenditure Head 149, it has been shown under cash flow generated from investment activities and as it showed a negative balance in value, it has been shown below all capital expenditure (construction or purchase of physical assets and acquisition of other investments) in brackets below the value of all capital expenditure incurred by the amount belonging to Expenditure Head 149.

(c) Balance of the Imprest Reconciliation Statement

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(i) As a result of overstating non-revenue receipts by Rs.998,477,343 as per Paragraphs 1.6.1(a)(i) and (ii) of the report, and understating of expenditure made for Other Heads by Rs.582,320,830 as per Paragraph 1.6.1 (b)(ii), the value of additions in the imprest reconciliation statement had been overstated by Rs.416,156,513 .</p>	<p>Even though it has been observed in your audit observation that a difference has occurred because of these items, the financial statement has been prepared based on the relevant data according to the answers given in relation to the above audit observations. In preparing the statement of financial performance, since these values have been used, the same value has been used to adjust the reasons for the difference in the relevant reconciliation in the statement of imprest Reconciliation. Preparing of imprest reconciliation statement based on the data in the financial statements set</p>	<p>Accounts should be prepared in terms of State Accounts Guidelines.</p>

in the manner explained for the above observations, its total value of Rs.1,123,954,657 has been entered.

- (ii) As a result of expenditure of Government Ministries amounted to Rs. 591,034,918 calculated as surcharges had not been shown in the statement of imprest reconciliation as per Paragraph 1.6.1(b)(i) of the report and as a result of construction or purchase of physical assets and acquisition of investments amounted to Rs.8,714,088 as per Paragraph 1.6.1(b)(iii) as other Expenditure Heads and because of sub-imprest of Rs.125,000 settled by the expenditure of the State Ministry of Batik was overstated under deductions in the imprest reconciliation statement, the value of deductions in the imprest reconciliation statement had been understated by Rs. 582,195,830 .

As indicated in the replies to the observations above, because the value on which you base the audit observations and the values used in our imprest reconciliation statement have differ, the amount of deductions in the imprest reconciliation statement should be different. Accordingly, the total value of our deductions represents an accurate value of Rs. 1,410,219,308 .

Accounts should be accurately prepared in terms of State Accounts Guidelines.

(d) Property, Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(i) The value of transport equipment and other machines and equipment were Rs.483,123,759 and Rs.94,651,338 respectively as per Statement of Non-Financial Assets (in Format ACA 6) as on 31 December 2021 and thus their opening balance values as at 01 January 2022 were Rs.820,215,340 and Rs.244,512,882 respectively, a difference of Rs.486,953,125 was observed.</p>	<p>The balance of transport equipment and other machinery and equipment have been stated as Rs.483,123,759 and Rs. 94,651,338 respectively as at 31 December 2022 were the balances under Head No. 149 that have existed when the Cabinet Ministry was functioning alone and because the note related to the transfer of non-financial assets related to the merging of Government Ministries to this Ministry on 01 October 2022 has been recorded as the opening balance of the year 2022, this difference has occurred. The errors that have occurred here will be discussed with the Department of State Accounts of the Treasury in the future.</p>	<p>Reasons for differences in opening balances should be disclosed in the financial statements.</p>
<p>(ii) Although the transport equipment valued at Rs.80,430,000 and other machinery and equipment valued at Rs. 1,648,500 shown as disposals included in Format ACA6 submitted with financial statements for the year 2022 and the other machinery and equipment value of Rs.407,702 shown as additions to the opening balance and the value of Rs.1,084,688/- related to other machinery and equipment shown as transfers were</p>	<p>Dispose of Transport Equipment - Rs.80,430,000</p> <p>Actions have been taken to abolish the relevant Government Ministries and transfer 12 vehicles under transport equipment under Head No. 439 of the State Ministry of Batik Handloom Textiles and Local Garments which remained under this Ministry and their non-financial assets to this Ministry.</p>	<p>Arrangements should be made to make necessary corrections and disclosures in the financial statements.</p>

accounting errors, actions had not been taken to correct or disclose them in the financial statements.

In doing so, although it has been reported under disposal of assets in recording the journal entries in the CIGAS computer system to transfer the relevant assets of the State Ministry, it is pointed out that it is not a disposal of assets. It is informed that the errors that have occurred here will be discussed with the Department of State Accounts of the Treasury in the future and relevant corrections will be made.

Disposal of Other Machinery and Equipment - Rs. 1,648,500

This is a note entered by a mistake in the computer programme and it is informed that it will be adjusted and corrected accordingly in the future.

Additions to opening balance Rs.407,702

Even though this amount has been stated as Rs.407,702, that value is only Rs. 495,706 related to the 3 State Ministries that existed at that time.

(iii) Although the value of passenger vehicles in the ACA 6 Format presented with the financial statements as at 31 December 2022 was Rs. 703,322,021, thus that value was Rs. 743,887,021 in the Register of Vehicles, the difference was Rs.40,565,000.

It is observed that there have been certain changes in the application of notes related to the transfer of non-financial assets that were maintained separately by State Ministries to the vehicle pool owned by this Ministry through the relevant CIGAS computer programme and, it is informed

The non-financial asset balances included in the financial statements should be reconciled with the relevant documents and adjusted.

that the actions will be taken promptly to reconcile these non-financial asset balances and adjust to the necessary accounts.

- (iv) The value of the 02 vehicles that had been disposed by 31 December 2022, amounted to Rs.3,025,000 had been included in the Register of Vehicles submitted. The respective disposal vehicles are further indicated under non-financial assets by a mistake, as you have pointed out in the observation. It is informed that the actions will be taken to correct this value immediately. The relevant documents should be properly updated and maintained.
- (v) Two vehicles transferred to the Ministry of Finance and the Ministry of Sports and Youth Affairs of Southern Province valued at Rs.13,200,000 had not been taken off from the assets accounts of the Ministry of Industries. The letter confirming the transfer of one vehicle to the Ministry of Sports and Youth Affairs of the Southern Province is available. It can be taken off from the accounts accordingly. The registration certificate of the other vehicle was handed over to the Ministry of Trade. Before the vehicle was taken away from the said Ministry, the vehicle was handed over to the Ministry of Finance as per the notification issued by the Comptroller General to hand over the vehicle to the Ministry of Finance. The assets which are not owned by the Ministry should be removed from the financial statements.
- (vi) Three vehicles valued at Rs.4,800,000 had been received to the Ministry of Industries from various Ministries and those vehicle registered Ministries had been abolished by 31 December 2022. Although the vehicles were used by the Ministry, their value had not been accounted for. One vehicle had been given to Sathosa Institution by another Ministry and since it has not been in running condition for several years, it was brought to this Ministry for dispose. The registration certificate is not available. Subsequently, this vehicle was given along with several other vehicles according to a request made by It should be disclosed in the financial statements by making arrangements for immediate takeover.

the Ministry of Plantation Industries and although it has been noticed to submit transfer papers for transfer, those documents have not been submitted so far. As a result, , the said vehicle has not been accounted for.

The other 02 vehicles have been provided on temporary basis for the duties of Paranthan Chemicals Institution under the purview of this Ministry. Due to failure of registration in the name of Ministry, it was not brought to accounts and actions will be taken to account for after the said vehicles are handed over to the Ministry.

(vii) Although the value of the buildings constructed at the expense of the Ministry should be disclosed in its financial statements, the value of 13 administrative buildings, 03 factories and 02 office/service buildings constructed in 16 Industrial Estates since 1996 as per the information received from the Industrial Development Division amounted to Rs.456.98 million had not been accounted for as at 31 December 2022 .

All these administrative buildings are being utilized under the supervision of the Regional Directors of the respective Provinces. It has also been discussed with the Department of State Accounts of the Treasury regarding the accounting of these assets and the relevant officials have identified each asset separately under each category according to the instructions received and, actions are being taken to account for those assets as non-financial assets of the Ministry in the year 2023 .

The capitalized costs should be included in the financial statements.

(e) **Advances to Public Officers ‘B’ Account**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A total of Rs.571,634 had remained unrecovered for a period ranging from 1 year to 5 years as the debt balance of Rs.198,397 receivable from two deceased officers , the debt balance of Rs.100,208 receivable from one interdicted officer, debt balance of Rs.273,029 receivable from three officers who had left the service.	Necessary activities are being done by submitting applications through online system to Pension Department to recover the balances receivable of two deceased officers from death gratuity. A case has been filed in Fort Magistrate Court to recover the sum of Rs.100,208 receivable from one interdicted officer and recovery of loans in installments has been started from two retired officers.	Actions should be taken to recover loan balances.

(f) **Deposit Account Balances**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The balance of the temporary retention deposit account for refunding to third parties owned by the Ministry as at 31 December 2022 was Rs.20,279,073 .	This is a deposit remained temporarily for refunding to third parties over a period of more than 10 years. These deposits are taken to allocate plots of land for industrialists and, since the taking over of the land to the government and allotment to the investors for the projects carried out in the Industrial Estates is a group work of the government institutions such as the Ministry of Lands, Land Reforms Commission and Divisional Secretariat, it	Actions should be taken to settle the deposit balances.

takes some time. However, arrangements are being made to speed up the related activities on the direct intervention of the Secretary of the Ministry and other Heads of Departments, in the future. Accordingly, it is possible to settle these deposit balances in the future.

- | | | |
|---|---|---|
| <p>(ii) The balance of the deposit account of retention for the contracts held by the Ministry as at 31 December 2022 was Rs.38,291,283 .</p> | <p>By not being able to perform the contract properly due to the bad economic situation in the country in the past, the increase in the price of fuel, the shortage of construction materials and the delay in payment of outstanding government bills etc., there has been a standstill in the release of retained deposits.</p> | <p>Arrangements should be made to release retained deposits after completion of relevant works.</p> |
|---|---|---|

2. Financial Review

2.1 Expenditure of Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Out of the net allocation of Rs. 471,095,000 made in relation to 66 expenditure objects, a sum of Rs.115,891,080 was utilized and there was a balance of Rs.355,203,920 and, it had taken a range between 51 per cent and 99 per cent of the net provision.</p>	<p>As the Minister of Industries holds the post of Minister of both Industries and Plantation Industries, there will be a division of expenses of the Minister and the staff between the 2 Ministries. It had caused for savings in 6 expenditure objects.</p>	<p>Expenditure Estimates should be accurately prepared.</p>

In addition to that, restrictions on all non-essential expenses under the government's expenditure management for the savings of other expenditure objects, postponement of vehicle maintenance activities due to limited supplies as a result of the acute economic crisis in the country, insufficient funds from the Treasury due to the economic crisis in the country have caused to that.

- | | | |
|--|--|--|
| <p>(b) The total net allocation of Rs.100,650,000 made in relation to 18 expenditure objects had been saved without being spent.</p> | <p>It has been stated that limitation of non-essential maintenance expenses on the basis of expenditure control based on government expenditure circulars, not having to incur expenditure as expected, , minimizing new purchases with the aim of limiting expenses as per government policies etc. have resulted in the saving of the entire net provision in these expenditure objects.</p> | <p>Expenditure Estimates should be accurately prepared</p> |
|--|--|--|

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>In checking the payment vouchers of January and February 2023, it was observed that the payments of Rs. 2,726,134 related to 14 expenditure objects had been made in relation to the year 2022 and the</p>	<p>As there are no outstanding imprests to be paid as at 31 December 2022, the value of the vouchers that could not be paid has been presented as a liabilities whilst preparation</p>	<p>All the liabilities related to the year should be mentioned in the statement of liabilities.</p>

value had not been mentioned in the statement of liabilities.

of the financial statements for the year 2022. The vouchers presented from time to time, for payment in 2023 related to the year 2022 are not recorded as liabilities in the preparation of financial statements after the commencement of the year 2023. Likewise, most of these vouchers are for overtime, travel, water, or electricity bills for the last month of 2022, and usually the bills are offered for payment in the following month.

Although it has been recorded as liabilities of the previous year, the imprests and provisions of the current year will be used to make payments after the beginning of this year.

2.3 Non-compliance with Laws, Rules and Regulations

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

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Reference to the Laws, Rules, Regulations etc.</p> <p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>	<p>F.R. 570 (b), (c)</p> <p>A number of 53 deposits valued at Rs.29,941,927 had remained for more than 02 years.</p>	<p>By not being able to perform the contract properly due to the recent</p> <p>Actions should be taken in terms of Financial</p>

bad economic Regulations.
situation in the
country due to the
increase in fuel
prices, shortage of
construction
materials and late
payment of
outstanding
government bills
etc. there has been
a standstill in the
release of retained
deposits.

- (b) Section 1.3.1 of the Guideline to Valuation of Non-Financial Assets of the Democratic Socialist Republic of Sri Lanka of the Office of the Comptroller General dated 31 December 2018
- It is mandatory to get an assessment every 5 years for every vehicle owned by the government and although it was stated that the assessed value should be used only for accounting purposes, the Ministry had not taken actions to carry out such assessments in relation to 65 vehicles with a value of Rs.438.42 million owned by the Ministry.
- The activities have been initiated to assess the vehicles.
- Actions should be taken in terms of circular provisions.

3. Operational Review

3.1 Non-performance of Functions

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
An amount of Rs.97.27 million had been allocated in the revised estimate of 2022 for its construction works to establish Raigama Green Industrial and Technological Development Super Zone for its construction works and a sum of Rs. Rs.48,182,982 had been spent for that. Although its construction works should be completed by the end of the year under review, the financial progress was 49 per cent. Even though a sum of Rs.29,570,000 had been spent for water supply from the above cost the physical progress was only 20 per cent.	The total allocation made in the year 2022 could not be utilized and the expected physical progress could not be achieved due to the following reasons. <ol style="list-style-type: none"><li data-bbox="786 768 1146 1140">1. Delay in the works of the project due to the emergence of problematic situations in the continuation of the development works of this Project due to the objection of the Chairman of the Pradeshiya Sabha in that area.<li data-bbox="786 1157 1146 1837">2. As a result, due to the rapid increase in construction costs including raw materials, the Construction Industry Development Authority took steps to revise the cost of the Project later and, although the approval of the Cabinet of Ministers is required for the new estimate, giving instructions by the Honorable Minister to stop the further activities until the objection issue of the chairman of the local council is resolved.	The industrialists should be directed to commence the industries by completing the industrial development works promptly.

3.2 Non-achievement Expected output Level

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The lands had remained vacant by 31 December 2022 due failure of allocating 66 plots of land related to 15 Industrial Estates to industrialists.	The related reasons for this are as follows. Because of the reasons such as the high cost of transportation to be incurred since the finished products had to be brought to Colombo to be sold and, inundation of rainwater for 17 plots of land in Mannar Industrial Park during rainy season due to non-development of the Industrial Estate as a level ground and, very low demand for land for establishing of industries due to the location of the Industrial Estate in an isolated location in Mullaitivu District, absence of industrialists for investments due to lack of proper drinking water supply system in the area where the Industrial Estate is located, difficulty in providing land to investors due to lack formal access facilities five 05 plots of land also in Welioya Industrial Estate, cancellation of Industries due to inactivity, cancellation of industries because of the failure to take steps to commence the industries, there are vacant lands in 13 industrial estates.	Arrangements should be made to select suitable investors and provide land to start industries.

- (b) Forty three (43) plots of land had been allocated in Buttala Industrial Estate and 41 plots of land had been given to 15 industrialists from the year 2016 to 2021 and to two more industrialists in the year 2022. Out of that, 5 industrialists are involved in the production and, 7 industrialists are doing building construction works. A total of 340.8 perches of land allotted to three industrialists had remained in idle because of failure to commence the construction works.
- Although there were 04 industrial establishments carrying out production activities by the observed date, 05 manufacturing entities are being operated at present, although the number of institutions that were carrying out construction work was 04 by the observed date, the number of institutions were 07 by May 2023, arrangements will be made to take a final decision on the Project by presenting to the Regional Industrial Services Committee to be held in the future and getting recommendations in respect of industrialists who had not commenced any development activities.
- The Ministry should constantly draw attention to whether the industrialists are working according to the Work Plan given in respect of industrial construction works and commencement of works by industrialists.

3.3 Non-achievement Expected output Level

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though it was expected to generate about 1500 direct jobs from Matugama Industrial Estate as per the Decision of Cabinet of Ministers dated 10 October 2007, only 388 jobs had been generated in 16 industries.	The industrialists of Matugama Industrial Estate have not been able to generate employment opportunities at the level expected by the Ministry due to the Corona epidemic situation in 2020 after the Easter Attack in 2019, the economic crisis in the country for about 03 years, fuel restrictions made	In the submission of project proposals by industrialists, the Industrialists should be directed to reach the expected number of employment to be created.

by the government, restrictions on the import of a large number of goods, the rise in the value of the US dollar, electricity cuts and failure of continuing production in factories because of the reasons such as increase in electricity bills.

(b) The Batatha Industrial Estate was built in the year 1999 by developing 105 acres of land in Hambantota District as an Industrial Estate to start tanning industries at a cost of Rs.330.93 million. Nevertheless, as a result of proposal for the disposal of waste from this Industrial Estate into the sea, the construction works of the Industrial Estate had been terminated because of the protests of fishermen around the Industrial Estate. An extent of 45.625 acres were allocated for 15 industrialists and 8.72 acres for common works and 25 acres to 9 industrialists had been proposed to be given according to the Decision of cabinet of Ministers dated 15 February 2006 regarding the above 105 acres of land again. As a result, 25.655 acres of land had remained in idle.

The 105-acre Batatha Industrial Estate was commenced in 1999 with the aim of locating tanning industries and about 80 per cent of infrastructure construction works had been completed by the end of the year 2005. The construction of the waste water disposal pipe system of the Industrial Estate was being carried out to be discharged to the sea and the construction works had to be stopped due to the protests of fishermen around the Industrial Estate as well as local political pressures for that. As informed by the Regional Director (Southern Province), 45.625 acres of land has been allocated to 15 industrialists in Batatha Industrial Estate, 25 acres of land has been proposed to be allocated for industries, 8.72 acres of land allocated for public works, and the remaining land is 24.65 acres at present.

Arrangements should be made to take the advantages from the respective land by providing the extent of land proposed to be allocate for industries and idle, by choosing the right investors immediately .

3.4 Assets Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although 02 vehicles which were not in running condition and one vehicle cost at Rs.4.5 million belonging to the Ministry had been handed over to the Ministry of Plantation Industries on 04 November 2022, the Ministry had not taken steps to properly transfer the ownership of those vehicles.	The documents will be signed and delivered after completing the relevant areas of the transfer papers requesting the transferring of vehicles by the Ministry of Plantation Industries and sending them to this Ministry. The other vehicle has been handed over to the Ministry of Plantation Industries through a letter and the documents related to transfers are being prepared. As this vehicle has been handed over by the Ministry of Plantation Industries to Janatha Estates Development Board, it is suitable to inquire about this from the Ministry of Plantation Industries.	It should be sent for immediate repair and arrangements should be made to remove vehicles at the level of dispose.
(b) Three vehicles that were sent to private garages for repairs from 1 to 4 years had not been repaired and engaged in running. The Ministry had to entered into the commitments for an additional amount of Rs.621,900 in respect of one vehicle thus detained.	The insurance compensation for the repair of the damage to this vehicle has not been approved. Therefore, although the Kollupitiya Police had filed a case to recover damages from the Former Chairman of the Lanka Cement Company, who is the party responsible for this, the police had closed the case after obtaining information from the Ministry of Electricity without obtaining information from this	Arrangements should be made to complete the repair works promptly and put it into operation and to recover damages from the respective parties.

Ministry. Therefore, the police has been notified to start the case again. As the damage is extensive, arrangements have been made to obtain an engineering report to take a decision on repairs by the Ministry at a high cost until covering the loss.

The priority this repair was at low since there was no Regional Director at the Uva Regional Office in the year 2021 and the vehicle was in running condition and there were vehicles with repairs to be given priority.

The insurance company has agreed to take over the repairable vehicle and pay Rs.4,500,000.00 after elapsing more than a year from the date of the accident.

A Committee has been appointed under the Chairmanship of Additional Secretary (Administration) for further investigation in this regard.

(c) A vehicle used by the Coordination Secretary of the Minister ad experienced in an accident on 09 May 2022 and although its agent had submitted an estimate of Rs. 7,507,726 for repairs, the Insurance Company had paid compensation by approving Rs. 2,600,000 only. The vehicle has been held at the Agent without being

The then Minister was told in writing to hand over the said vehicles to the Ministry after the end of his service. This vehicle has experienced an accident before handing over to the Ministry.

Repairs should be made and put into operation as soon as possible and the loss should be recovered from the responsible parties.

As there is a huge difference between the insurance compensation amount and the estimated amount, the repairs

carried out any repairs since 21 July 2022 .

have been delayed until the report of the Committee on the party responsible for collecting the excess amount is received. A Committee has been appointed to conduct the F.R.104 investigation regarding the damage to this vehicle and the investigation is being carried out.

3.5 Losses and Damages

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The vehicle that was used as the security official vehicle of the Minister of Batik, Handloom Fabric and Local Apparel Products was damaged in an accident on 13 January 2021 and the driver had not informed the insurance company and the police about the accident at that time. The insurance company had refused to pay the insurance compensation. Accordingly, after deducting Rs.200,000 received as insurance compensation from the vehicle repair cost of Rs.1,323,900, the remaining amount of Rs.1,123,900 was paid by the Ministry. Accordingly, the loss of Rs.1,123,900 incurred in connection with this vehicle accident had not been recovered from the responsible parties.</p>	<p>Legal proceedings have already been commenced to recover the loss caused to this vehicle which was used as the security official vehicle of the State Minister of the State Ministry of Batik, Handloom Fabric and Local Apparel Products from the driver of that vehicle who is the responsible party.</p>	<p>The drivers should be given instructions frequently in relation to informing the respective parties immediately after an accident and the loss should be recovered from the responsible parties.</p>

3.6 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) As a result of the closure of 07 factories in 5 Industrial Estates located in the Western Province without carrying out any production activities, an extent of 1535.7 perches of land remains unused and 57 factories in 07 Industrial Estates, including the above 05 industrial estates, had been operating their production activities at a lower capacity than the expected level.	There are 07 factories in 05 Industrial Estates that are currently not carrying out production activities from the industries operating in the Western Province and many other industries are carrying out productions under the revolving system due to the economic crisis in the country within the import restrictions and according to the orders received.	Suitable actions should be taken against the industrialists who do not carry out production activities and the attention of the Ministry should be drawn on the problems faced by the industrialists in carrying out the production activities in the existing Industrial Estates.
(b) In allotment of land to industrialists, although a long term lease of 35 years has to be signed after the allotment of the land as per the land allotment letter to be issued, lease agreements had not been signed for 91 industrialists, as per the information given in relation to 10 industrial estates as 08 industrial estates located in Ulapane Industrial Estate, Nalanda (Matale) Industrial Estate and Western Province out of 33 Industrial Estates.	The Ministry has commenced conducting mobile services at the Industrial Estate Level in 2021 to expedite the provision of long-term lease deeds for those plots of land to investors who have been allocated land from Industrial Estates, but whose lease agreements have not yet been prepared. Accordingly, 07 mobile services have been conducted in the years 2022 and 2023. There, the instructions have been given about the next steps to be taken in the lease	The proceedings of signing lease agreements for the industrialists should be expedited.

deed preparation process and the documents to be provided by the each investors.

- (c) Although the amount of lease receivable as at 31 December 2022 for 03 Industrial Estates was Rs. 79,155,035, the money had not been recovered even by 19 July 2023. Further, as the information related to arrears of lease of 19 Industrial Estates was not submitted, it was impossible to check whether there are outstanding leases related to those 19 Industrial Estates.
- A sum of Rs. 39,078,953 has been recovered in the year 2023 from the arrears of lease related to the preceding years according to the details of the leases collected from 14 Industrial Estates in the year 2023 and the arrears to be paid thereof.
- The Ministry should intervene in respect of collection of lease amount receivable without delay.
- (d) It was proposed to establish 10 Industrial Estates under the National Project to Provide Investment Opportunities for Business Development for the establishment of small and medium industrial zones and new entrepreneurs as per the budget proposals for the year 2022 and a sum of Rs. 100 million had been allocated as per the Revised Estimates of the year 2022. Even though it had not been estimated to construct an Industrial Estate in Wellawaya in the proposed programme, an expenditure of Rs.8,288,173 had been incurred in the year 2022 for the division of lands and the construction of fences and gates in Wellawaya Industrial Estate. As there is an Industrial Estate has already been established in Buttala in the Monaragala District and, only 5 industrialists out of the 17
- The installation of 10 Industrial Estates has been commenced as planned under this new project. There, due to the problematic situation occurred regarding the release of the land for the establishment of the Iranavila Industrial Estate in Puttalam District, where the American Voice is located, instead, necessary activities have been commenced to establish Wellawaya Industrial Estate in Monaragala District. In establishing an Industrial Estate, primary tasks such as surveying of land boundaries, clearing, plotting of land and marking internal roads etc. should be done before
- Selection of lands should be done by carrying out a feasibility study according to a proper method while establishing the Industrial Estates.

industrialists who were allocated land in that Industrial Estate are successfully carrying out production activities at present, it is observed that it is appropriate to develop the already built industrial estate in Buttala and uplift the industrialists instead of building another Industrial Estate in Wellawaya area.

providing its infrastructure (fence, gate, roads, water and electricity). The above basic functions of all the 10 lands selected for the 10 Industrial Estates have been commenced in the year 2022 in coordination with the relevant institutions. As the number of vacant land plots available for commencing industries in Buttala Industrial Estate is very limited, steps have been taken to establish a new Industrial Estate in Monaragala District.

4 Human Resources Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The approved cadre of the Ministry was 668 as at 31 December 2022 and the actual cadre was 660. Accordingly, A number of 77 vacancies and 69 excesses were observed. That is, there were 12, 02, 42 and 21 vacancies in senior, tertiary, secondary and primary levels respectively and also 44 Development Officers and 25 Development Officers in the Ministry and the National Enterprise Development Authority respectively in the secondary level were in excess.</p>	<p>Requests have been made through the letters to the Director General of Combined Services to appoint officers to the vacant posts in the senior, tertiary and primary level posts in the Combined Service of the approved cadre of the Ministry. Requests have been made to the Department of Management Services for approval of 69 excess posts of Development Officers.</p>	<p>Actions should be taken to change the approved cadre according to the Role of the Ministry and to fill up the vacancies and to regularize the excesses accordingly.</p>