

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 2023 comprising the statement of financial position as at 31 December 2023, the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 2024 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Chief Accounting officer on 04 October 2024 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

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 Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

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

The 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 the preparation of annual and periodic financial statements.

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 Responsibilities for the Audit of the Financial Statements

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented except for the observation shown in paragraph 1.6.1(b) of the comments on the financial statements of this report.

1.6 Comments on Financial Statements

1.6.1 Property, Plant and Equipment

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Eleven vehicles worth Rs.102.9 million used by the Primary Industries Sector and 16 vehicles worth Rs. 161.9 million used by the Small and Medium Enterprise Development Sector, which were received from various ministries, had not been handed over to the ministry and accounted as at 31 December 2023.	Due to the lack of stability caused by periodic changes in the ministry's scope, the handover was not completed and the necessary arrangements are currently underway to transfer them to the Ministry of Industries.	Actions should be taken to transfer the ownership of the vehicles and disclose their value in the financial statements.
(b) Although the value of buildings constructed by the ministry should be disclosed in its financial statements, according to information received from the Industrial Development Division, the value of 13 administrative buildings, 3 industrial buildings, and 2 office/residential service buildings, amounting to Rs.544.94 million, constructed across 16 industrial estates since 1996, had not been accounted as at 31 December 2023.	These lands were declared and established as industrial estates through the relevant Cabinet decisions and the ownership of these lands belongs to state institutions such as the Land Reforms Commission, Divisional Secretariats, the Mahaweli Authority, and the Urban Development Authority. Accordingly, actions are to be taken to account for these as non-financial assets in the future, in line with the instructions received from the Public Finance Department of the Treasury.	The value of the buildings should be included into the financial statements.

- (c) A detailed schedule related to the value of passenger vehicles amounting to Rs. 719,025,340 as at 31 December 2023, presented in the ACA 6 format along with the financial statements, had not been submitted.
- The detailed records for the passenger vehicle value of Rs.719,025,340, as stated in the ACA 06 format, could not be retrieved through the CIGAS computer data system of the Public Finance Department. The necessary corrections will be made to the computer program, and the information will be submitted after informing the Public Finance Department.
- Actions should be taken to present updated records related to the account balances.

2. Financial Review

2.1 Management of Expenditure

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The net provision of Rs.1,022,600,000, which was allocated for 13 capital expenditure subjects and 19 recurring expenditure subjects, resulted in a utilization of Rs.252,453,771, leaving a balance of Rs. 770,146,229. It ranged between 51 per cent and 99 per cent of the net provision for the expenditure subjects.	Due to the performance agreement signed with the Secretary to the President, which aimed to reduce the ministry's recurrent expenditure by 15 per cent, the relevant expenses for the Ministry were split between this Ministry and the Ministry of Agriculture, while in line with expenditure management, the reduction of recurring expenses by 6 per cent as per the budget circular number 1/2023 has contributed to the related savings.	Expenditure estimates should be prepared as accurately as possible, ensuring that costs are minimized. The allocated funds should be used in the most effective manner to achieve maximum results, while carrying out the planned activities.
(b) The total net provision of Rs.5,400,000 allocated for 6 capital expenditure subjects and 3 recurrent expenditure subjects had been fully saved.	As per National Budget Circular No. 2/2022, actions were taken to incur only essential expenses, since the Ministry of Agriculture covered the expenses for the Ministry's office, there was no need to use the budget provisions allocated for these items and this led to the total net provision for these expenditure items being fully saved.	Expenditure estimates should be prepared as accurately as possible, ensuring that costs are minimized. The allocated funds should be used in the most effective manner to achieve

maximum results, while carrying out the planned activities.

2.2 Incurring of Liabilities and Commitments

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The payments amounting to Rs. 2,457,642, made in relation to 17 expenditure items for the year 2023, had not been reflected in the statement of liabilities for the year 2024.	There is no need to continue reflecting the value of Rs. 2,457,642 related to 17 expenditure subjects for the year 2024 as liabilities in the 2023 annual accounts.	All liabilities related to the year should be indicated in the statement of liabilities.

2.3 Non-Compliance with Laws, Rules and Regulations etc.

The following observations are made.

Observation	Comments of the Chief Accounting Officer	Recommendation	
<p style="text-align: center;">With Reference to Laws, Rules and Regulations</p> <p style="text-align: center;">Non-compliance</p>			
<p>(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>			
<p>(i) Financial Regulations 37</p>	<p>Although payments should be approved once it is confirmed that the services, work, or supplies have been properly completed, the Sri Lanka Standards Institution had been paid</p>	<p>Although the payment was made to the Sri Lanka Standards Institution to move the project forward as per the agreement, several industrial entities withdrew from the</p>	<p>According to Financial Regulations, payments should be made only after confirming that the work, supply, or service has been</p>

	Rs.4,298,224 in 2016 for a project to provide financial assistance for obtaining Sri Lanka Standards certification for local red clay tile production and the actual cost of the project was Rs. 3,032,462. Accordingly, payments exceeding the completed work amounting to Rs. 1,265,762 had been made during the approval of the payments.	project midway due to various reasons, which resulted in the remaining balance of the funds. Although this remaining amount was intended to be used for restarting a similar project, the construction sector in the country faced setbacks, which prevented the project from being implemented during the year 2023.	properly completed. Actions should be taken to recover the excess payment or to allocate it towards the expenses of another project.	
(ii)	Financial Regulations 104(4)	Although a full report on the loss or damage should be submitted within three months from the date it occurred, a report had not been submitted even though accidents related to two vehicles occurred, and more than three months had passed.	Although the full reports had been prepared, the inability to specify the amount recovered due to issues in obtaining the insurance compensation has prevented the submission of the complete report.	Actions should be taken regarding accidents and damages according to financial regulations.
(iii)	Financial Regulations 571(3)	Although, until the relevant details are obtained, the funds held in the deposit account should be transferred to the appropriate account or government revenue, or refunded as soon as possible, the Ministry had not been taken actions regarding the deposit of Rs.2,942,500 in the temporary holding account for institutional payments.	Actions will be taken to coordinate with the relevant departments to clarify and resolve the funds held in the deposit accounts.	Actions should be taken in accordance with financial regulations regarding the funds held in the deposit accounts.

- (b) Annexure I of Public Finance Circular No. 08/2016 dated 16 January 2017
- The procurement plan for the year 2023 had not been prepared in accordance with the annual action plan.
- The relevant department has been informed that it will be taken actions to prepare the procurement plan in accordance with the overall action plan.
- Actions should be taken to prepare the procurement plan in accordance with the circular regulations.

3. Operational Review

3.1 Non- performance of Functions

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As at 31 December 2023, though, 89 land plots (109.5 acres) related to 17 industrial zones had been allocated to industrialists these plots remained unused due to the failure to provide the lands.	The land plots remain vacant due to the lack of investors presenting new industrial projects and a decrease in land requests for industries, caused by the ongoing economic crisis.	Immediate actions should be taken to select appropriate investors, provide land, and start industries.

3.2 Non-achievement of Expected Output Level

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to the project reports presented by 130 industrialists related to the 16 industrial zones, although the expected number of jobs to be generated was 10,475, the current number of jobs created was 1,504, resulting in a percentage of 14 per cent in achieving the expected level.	Due to factors such as the situation of COVID-19 pandemic, economic crisis, fuel shortages, inability to import raw materials, setbacks in the construction sector, the inability to sell manufactured goods, and rising electricity costs, many industries have reached a level where they can no longer operate at maximum capacity, as a result, factories are maintaining production activities by reducing the number of employees.	Industrialists should strive to achieve the projected number of jobs planned during the submission of project proposals by industrialists.

3.3 Non-achievement of Expected Outcome

The following observations are made.

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The following observations were made regarding the Raigama Industrial Zone.		
(i)	According to the Cabinet decision dated 26 October 2016, although priority was given to the establishment of five industrial sectors, and it was expected to set up the Raigama Industrial Zone on a 200-acre land and before starting the industrial zone, a feasibility study had not been conducted, and a project plan outlining the required development activities had not been prepared. As a result, although Rs. 298 million was spent and development activities were initiated for the development of the industrial zone, even seven years had passed, and the expected outcomes had not been achieved.	Due to the decision of the political authority and under Cabinet approval, the project was launched immediately, and there was no feasibility study or business plan prepared before starting the industrial zone and the activities of this project were temporarily halted, due to ongoing political opposition since the commencement of the industrial zone. Subsequently, due to the COVID-19 pandemic and political instability in the country, the implementation of the project was delayed. However, at present, the industrialists have begun land development activities and have also started the development of the industrial zone.	The development activities of the industrial zone should be completed promptly, and a plan to encourage the initiation of industries should be implemented.
(ii)	According to the clause in the National Environmental Act, as stated in Gazette No. 772/22 dated 24 June 1993, an Environmental Impact Assessment report is only required for development activities exceeding 10 hectares (24 acres) by ignoring the need for an Environmental Impact Assessment within the industrial zone, the project activities had been initiated on a 24-acre portion of the total 200-acre land.	After obtaining Cabinet approval to start the Raigama Industrial and Technological Development Zone on 200 acres of land, although Rs.969,278 was allocated to the Industrial and Technological Institution for preparing an Environmental Impact Assessment report for those land parcels, due to delays by the institution in carrying out the task, it was decided during discussions between the political authority and officials of the Ministry to begin the industrial zone on a 24-acre portion.	Before starting the industrial zone, actions should be taken in accordance with the requirements of environmental laws. The money paid for the Environmental Impact Assessment report should be reimbursed or recovered.

- (iii) As at 31 December 2023, although a total of Rs. 29.57 million had been spent on the plumbing work for the internal roads of the Raigama Industrial Zone, and Rs. 36.8 million had been spent on the construction of the internal roads the physical progress of these activities was 70 per cent and 40 per cent respectively.
- Although the estimated amount of Rs. 29.57 million was paid to the National Water Supply and Drainage Board for the drainage work of the internal roads, due to political reasons, the development activities of the industrial zone had to be temporarily halted. When the development activities were resumed, the previous estimate was revised due to several factors such as, the increase in raw material prices due to the economic crisis in the country, the rise in Value Added Tax from 8 per cent to 15 per cent, and the fact that the acquisition of paddy fields for the proposed access road had not been completed. The revised estimate had been submitted to the Cabinet, and it is expected that development activities on the road will commence as soon as the relevant approval is received.
- The development of infrastructure facilities for the industrial zone should be completed promptly, and actions should be made to initiate industrial activities as soon as possible.
- (iv) Although an administrative building had been constructed for the industrial zone at a cost of Rs.87.96 million, it has been currently closed and unused.
- The Raigama Industrial Zone was planned for 200 acres, and it was decided that the administrative building would be allocated for various government training programs. Due to the political upheaval in November 2019, the project's activities were temporarily halted, which led to the uncompleted construction of the administrative building.
- Actions should be taken to complete the work on the administrative building for the industrial zone and ensure its effective utilization.

- (v) According to the newspaper advertisement published on 02 October 2017, for selecting investors for the industrial zone, applications had been received from 194 investors, and of these, 42 applications had been evaluated by the Regional Industrial Services Committee. Due to the delay in the development activities of the industrial zone, four of the selected investors, who had obtained Cabinet approval, withdrew their investments, and as a result, an investment of Rs. 1,185.4 million, which could have created 715 job opportunities in the industrial sector, had been lost.
- With the political upheaval in November 2019, the industrial zone project activities were temporarily halted, and subsequently, due to the COVID-19 pandemic, political instability, and the temporary import restrictions imposed on goods, the implementation of the industrial project had been delayed and as a result, some industrialists informed that they would not proceed with their projects, and those projects have been canceled by the Western Province Regional Industrial Services Committee.
- Actions should be taken to select suitable investors, allocate land, and restart the industries.
- (b) 43 land plots had been allocated for the Buththala Industrial Zone, of which 38 plots had been provided to 20 industrialists. Among that, production activities are being carried out by only 5 industrialists, while 3 industrialists had been constructed buildings but have not yet started production activities. Five industrialists are currently engaged in building construction activities, while 660.13 perches allocated to seven industrialists remain undeveloped and idle, with no development activities taking place.
- Actions will be taken to present the industrialists who have not commenced any development activities to the upcoming Regional Industrial Services Committee, and a final decision will be made based on its recommendations.
- It is necessary to continuously monitor whether the industrialists are following the plans which had been submitted before starting their industries and if they fail to act according to the plan, actions should be taken to reclaim the land and allocate it to other parties.
- (c) (i) On 9 November 2010, a Cabinet memorandum had been submitted proposing the establishment of an industrial zone in the Mannar District, with a focus on providing
- Steps were taken to establish the Mannar Industrial Zone, including the provision of necessary facilities such as water, electricity, and an internal road system, in response to the demands of investors, while the
- It is essential to select suitable investors and allocate the unused land designated for

investment opportunities in the fisheries, agriculture, and food production industries. Accordingly, 13 years have passed since the construction of the industrial park on 24 acres of land at a cost of Rs.356 million, but no industries had been started till now and only one industrialist has been conducting a garment industry using 6 acres of land.

public infrastructure in the area has been developed, the facilities for the export of finished products through the ports of Kankesanthurai and Trincomalee have not been sufficiently improved, the finished products have to be transported to Colombo for sale/export, leading to high transportation costs. As a result, the initiation of industries in the Mannar industrial zone has seen very slow progress in attracting new investors and the situation has been further aggravated by factors such as the Easter Sunday attacks on 21 April 2019, the COVID-19 pandemic in 2020, subsequent political instability, and the economic crisis, and flooding due to rainwater during the monsoon season within the industrial zone has worsened the conditions, hindering the development of industries.

industries to them actions should be taken to ensure that the significant expenses incurred are matched with appropriate returns to make the investment worthwhile.

(ii) When starting development activities for the establishment of an industrial zone, though it is necessary to conduct a feasibility study to assess its economic benefits and consider the basic costs of developing infrastructure, such a study or assessment had not been conducted during the establishment of the Mannar Industrial Zone.

In response to the significant impact of the war environment and socio-economic challenges faced by the Northern and Eastern provinces, the Mannar Industrial Zone was established in 2010 as a solution to improve the living conditions of rural communities by stimulating economic activities in the region. Although no special study was done for the establishment of the Industrial Zone, the leading and prompt measures already taken by the central government for the rapid development of basic infrastructure such as highway system, water and electricity were sufficient.

When establishing an industrial zone, feasibility studies should be conducted to properly assess the economic benefits and the costs for infrastructure facilities. The obstacles for the Mannar industrial zone should be studied and solutions implemented, while also encouraging investors to initiate the industrial zone.

- (d) A program to commercialize high-standard research and innovations related to the processed food production industry, conducted by universities and research institutions, had been held at a private hotel on 30 and 31 March 2023, at a cost of Rs.2,469,752. Although six industrial institutions expressed their willingness to commercialize six new innovations and research, by 31 December 2023 these new innovations had not yet been introduced to the market.
- The main objective of this program was to present selected research and innovations related to the processed food production industry to manufacturers, thereby building a relationship between these researchers/innovators and manufacturers, identifying the needs of the industry, and encouraging research and innovation. The program also aims to conduct a follow-up review on the current progress of the new innovations and research that expressed willingness for commercialization.
- A suitable plan should be implemented to encourage manufacturers to commercialize research and innovations. When selecting such plans, it should be guaranteed that the costs are minimized.
- (e) Three symposiums for the commercialization of new innovations had been held at a private hotel in 2023, incurring a cost of Rs. 5.55 million. Among the 115 innovators who presented, although, 15 innovations were identified for commercialization, only four had been expressed agreement to sign contracts for commercialization, while 11 remained at the discussion stage. Accordingly, only about 3 per cent of the presented innovators agreed to formalize commercialization agreements.
- The Ministry of Industries had conducted three symposiums in 2023 at a cost of Rs. 5.55 million to introduce new innovations and research in the industrial sector for commercialization. During these symposiums, 115 new innovations and research projects, conducted by local research institutions and universities but not yet commercialized, were presented to manufacturers and out of these, 15 innovations reached preliminary agreement stages for commercialization.
- An appropriate new plan should be implemented to commercialize new innovations. These commercialization plans should be executed in a way that minimizes costs.

3.4 Projects Abandoned Without Completing

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Bataatha Industrial Zone had been established on 18 August 1999 on a cabinet decision to start tanning industries at a cost of Rs.343.41 million on 105 acres of land in Hambantota district. The		

following observations are made in this regard.

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| (i) | Due to the proposal to discharge waste into the sea, construction activities in the industrial zone had been halted because of protests by the fishing community. Consequently, Rs.17.55 million had been paid as compensation to six investors in the project during the period from 2019 to 2022. | No responses were provided. | Projects should be initiated after conducting the necessary environmental assessments. |
| (ii) | According to the Cabinet decision dated 15 February 2006, the industrial zone was redeveloped as a mixed development zone, and 70 acres, 1 rood, and 2.3 perches of land had been allocated to 23 manufacturers. Out of these, only 10 manufacturers, who received 34 acres and 3 roods of land, are carrying out sufficient production and out of the 105 acres allocated for the industrial zone, approximately 60 acres of land, excluding the 9 acres and 3 roods allocated for common facilities, remain inactive. | Although the Bataatha Industrial Zone consists of 105 acres, only approximately 70 acres have been developed and the undeveloped land plots have now been allocated to manufacturers, but about 12 acres of land still need to be developed. | The proposed and inactive land areas for industries should be allocated to appropriate investors, and actions should be taken to utilize the developed lands. |
| (iii) | The administrative building constructed for the Bataatha Industrial Zone at a cost of Rs.31.66 million is currently inactive. | Although the administrative building of the industrial zone was constructed in 1999, construction activities had to be stopped due to protests by the fishing community around the industrial zone and regional political pressures. According to the Cabinet decision dated 15 February 2006, all infrastructure facilities were completed to implement mixed investments within this industrial zone. Accordingly, though the | If the building is unsuitable for use, it should be confirmed and actions should be taken to dispose of it through an appropriate method. |

administrative building was handed over for the use of the employees of one manufacturer since 2011, the building, which is currently in a very dilapidated condition, was closed on 30 November 2021, as it was deemed unsuitable for use according to the technical report of the Divisional Secretary of Ambalantota.

3.5 Projects without Progress Despite the Release of Money

Audit observation	Comments of the Chief Accounting Officer	Recommendation
<p>An estimated Rs. 1,000 million had been allocated for industrial zone development expenses for the year under reviewed, with an actual expenditure of Rs. 880 million. Out of this, although Rs. 489.55 million, the total estimated cost for 19 development activities in 9 industrial zones, had been paid at once, but the progress of these activities was 0 per cent. For the construction of the fence and gate at the Dambulla Industrial Zone, though the estimated cost of Rs. 14.96 million had been paid at once, but the progress was only 15 per cent.</p>	<p>Development activities are being carried out in the industrial zones of Aluthapola, Dambulla, Sooriyawewa, Nochchiyagama, Katunayake, Raigama, Puttalam, Nalanda Matale, and Kahatagaha Graphite.</p>	<p>When making payments for development expenses, the estimated total cost should not be paid all at once, but payments should be made considering the physical progress. Prompt steps should be taken to complete the relevant tasks for the amount paid.</p>

3.6 Asset Management

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) A vehicle that had been sent to a private garage for repairs for nearly 5 years had not been repaired and taken back into operation.	Due to the type and model of this vehicle, the cost of obtaining spare parts and repairs is high, and the annual provisions are insufficient to carry out the repairs and it has not been possible to carry out the repairs. Legal actions have been taken by the Kollupitiya Police against the former chairman of the cement company, who is responsible for the damage to this vehicle, to recover the losses.	Immediate actions should be taken to repair the vehicle and take it back into operation, and to recover the losses from the responsible parties.
(b) A vehicle worth 6 million rupees had been met with an accident on 11 April 2019, and had been held by two private institutions for nearly five years for repairs, and without carrying out any repairs; it had been returned to the ministry in September 2023 and had been parked in the ministry premises.	Due to the insurance company's refusal to approve the estimates provided by a private garage for the repair of the vehicle that met with an accident on 11 April 2019, it was not possible to repair the vehicle by 2023. This vehicle was also presented to the Vehicle Disposal Committee of the Ministry, where the committee decided to implement the system beneficial to the government in two cases: the value of the money given to the Ministry by handing over the vehicle to the insurance company or the amount received under Cash in Lieu and the value of the money received by disposal of the vehicle. The disposal of the vehicle was delayed until the insurance company informed the ministry of the amount they agreed to pay for taking over the vehicle.	Immediate actions should be taken to complete the vehicle repairs and take it back into operation, and to implement the most beneficial decision, either recovering the losses from the responsible parties or obtaining funds through disposal.

- (c) A vehicle used by the former Minister's Coordination Secretary met with an accident on 9 May 2022 and the representative institution provided an estimate of Rs.3,969,455 for the repairs, but the insurance company had been approved only Rs. 2,600,000 as compensation. Since 21 July 2022, this vehicle had been held at the representative institution without any repairs being carried out.
- The vehicle is currently undergoing repairs.
- Immediate repairs should be carried out to put the vehicle back into operation, and actions should be taken to recover the losses from the responsible parties.

3.7 Losses and Damages

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The vehicle used as the official security vehicle for the former State Minister of Batik, Handloom, and Local Apparel Products had been damaged in an accident on 13 January 2021 and at that time, the insurance company or the police had not been informed by the driver about the accident. The repair cost of the vehicle was Rs. 1,323,900, and after deducting the insurance compensation of Rs. 200,000, the remaining amount of Rs.1,123,900 had been paid by the ministry. Therefore, the loss of Rs. 1,123,900 caused by this vehicle accident had not been recovered from the responsible parties.</p>	<p>Legal actions have been initiated to recover the losses caused to the vehicle and the legal officer has sent the relevant documents to the Attorney General, and the process of filing the court case is under way.</p>	<p>Drivers should be instructed to immediately inform the relevant parties in the event of an accident. Actions should be taken to recover the losses from the responsible parties.</p>

3.8 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) In 2023, a project had been planned by the ministry to provide financial assistance for obtaining the Sri Lanka Standards certification for local red clay roof tile manufacturers, with an allocation of Rs. 4.5 million and the ministry planned to bear 50 per cent of the basic certification fee required for obtaining the Sri Lanka Standards certification for 30 manufacturers, with a maximum of Rs. 150,000 per institution. Although 10 manufacturers had applied for this, by 31 December 2023, not a single manufacturer had completed the certification process and received this financial assistance.	Although this project was initiated in 2015, the process of obtaining standards for industrial establishments was delayed. With the cooperation of the All Island Clay Roof Tile Manufacturers' Association, it is planned to use the remaining funds this year to select a few of the most suitable factories and assist them in obtaining the standards certification.	After completing the preliminary tasks, actions should be taken to estimate the provisions, and actions should be made to achieve the expected targets of the projects as planned.
(b) Although a long-term lease agreement of 35 years should be signed after allocating land to manufacturers, lease agreements had not been signed for 322 manufacturers in 25 industrial zones.	In 2021, the ministry initiated mobile services at the industrial zone level to speed up the issuance of long-term lease deeds to investors who have been allocated land in industrial zones but have not yet had lease agreements prepared. Accordingly, 13 mobile services were conducted in 2022 and 2023.	Actions should be taken promptly to issue long-term lease agreements to manufacturers. The basic requirements necessary for signing long-term lease agreements should be completed before allocating land.

- (c) As at 31 December 2023, the outstanding lease amount to be collected from 107 manufacturers in 13 industrial zones was Rs. 205,230,683. The responsibility for preparing lease agreements and collecting lease payments lies directly with the institution that owns the land (Divisional Secretary, Land Reforms Commission, Mahaweli Authority). The relevant institutions have been informed to take necessary actions to initiate legal actions regarding the non-payment of lease amounts by the manufacturers. The ministry should intervene to ensure the collection of lease payments without delay.
- (d) Approximately 60 acres of land in the Bataatha Industrial Zone, currently established in the Hambantota District, remain underutilized and an expenditure of Rs. 252.7 million for the construction of an industrial zone on a 20-acre land in Sooriyawewa nearby had become an unproductive expense. This industrial zone, which was announced in the 2022 national budget proposal, covers 105 acres in a Divisional Secretary's division and there are vacant plots by now, but it installed industries such as two food production industries, lead-acid batteries, cement, steel, and coir related products. The proposed Sooriyawewa industrial zone is intended to be used for food-related production industries and its proximity to the Southern Expressway, the harbour, and the Mattala International Airport suggests that investment opportunities in this area could expand in the future and by establishing this industrial zone was aimed at making a significant contribution to the national economy. Actions should be made to achieve the expected development targets from the planned and initiated industrial zones.
- (e) A manufacturer has been occupying one acre of land in Phase I of the Nalanda Ellawala Industrial Zone for nearly 24 years without the approval of the Regional Industrial Services Committee and the Cabinet. Although production activities should be carried out with the approval of the Cabinet decision on land Although the Regional Industrial Services Committee recommended this project, it has not yet been referred to the Evaluation Committee due to the non-submission of documents. Currently, about 20 employees are engaged in work, and it is an institution that successfully carries out production activities. Land in industrial zones should be allocated to investors only with the proper approval of the Regional Industrial Services Committee and the Cabinet. Legal actions should be

allocation to manufacturers, two manufacturers have been distributing goods for a long time without engaging in production activities, contrary to the Cabinet decisions.

taken against the manufacturer occupying the land without authorization, and manufacturers should be directed to carry out only the approved activities.

- (f) Under the project for establishing small and medium-scale industrial zones at the regional and district levels, although an amount of Rs. 3,266,558 had been spent in 2022 for activities such as land surveying, clearing, and preparation of land plotting plans in 04 Industrial Zones called, Giradurukotte, Dimbulagala, Dickwella, and Trincomalee Phase III, these projects had been suspended during the year under review, resulting in the expenses incurred becoming non-productive.
- Although Rs. 5,000 million was allocated in the 2022 budget for these three new industrial zones, due to the political instability and economic crisis in the country, the government subjected the release of money for development works by the government was subjected to a strict review. Consequently, the Ministry decided to temporarily halt the development activities of these three industrial zones and to fully complete the activities of the industrial zones that had already made significant progress using the limited funds that were released and based on the amount of funds allocated by the budget and the priorities, it is planned to carry out the development activities of these three industrial zones in the future.
- Development activities of the industrial zones should be carried out based on priorities or initiated accordingly.

4. Human Resource Management

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As at 31 December 2023, the approved cadre of the Ministry and affiliated departments was 1,798, while the actual cadre was 1,690. Accordingly, 134 vacancies and 26 excesses were observed.	According to the Extraordinary Gazette No. 2289/43 dated 22 July 2022, the approved cadre of the previous state ministries were assigned to the Ministry of Industries, resulting in some positions becoming redundant and	The approved cadre should be revised according to the responsibilities of the Ministry, and necessary actions

this has been reported to the Department of Management Services.

should be taken to fill the vacancies and address the redundancies by consulting the Department of Management Services.