Sri Lanka Handicrafts Board - 2013

The audit of financial statements of the Sri Lanka Handicrafts Board for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 the Section 13(1) of the Finance Act, No. 38 of 1971 and Section 64(3) of the National Crafts Council and Allied Institutions Act No. 35 of 1982. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the statement of financial positions, statement of financial performance, statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I had not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Deficiencies

The following observations are made.

(a) Sri Lanka Accounting Standards – (LKAS) 09

The cash flow statement had not been prepared in accordance with the Standard to reflect the cash outflows and cash inflows during the year under review. The accuracy of the cash flow statement was questionable in audit due to the following weaknesses that existed.

(i) Overstatement of depreciation by a sum of Rs.6,352,628.

(ii) Inaccuracy of presentation of cash flows statement in relation to finance expenses, trade and other expenses and investment activities.

(b) Sri Lanka Accounting Standard – (LKAS) 10

Even though the Kesone Showroom procured on rent basis had been modernized at a cost of Rs.8,353,071 and opened on 14 June 2013, it had been closed down due to the non-receipt of the expected income by March 2014. Even though the expenditure on the modernization of the building had been shown under non-current assets, action had not been taken for the write off of the financial loss resulting from the closing down of the showroom or for disclosure by way of a note to the financial statements.

(c) Sri Lanka Accounting Standard - (LKAS) 20

Even though a Government capital grant of Rs.114,862,626 had been received in the year under review, a sum of Rs.7,600,000 out of that had been given to the National Craft Council on an order made by the Chairman of the Board without the approval of the Treasury. As such the capital grant given to the Board could not be made use of for the relevant activity and the transaction had not been included in accounts.

2.2.2 Accounting Policies

The following observations are made.

(a) Even though the showroom with the Museum constructed in the preceding year with Government grants had not been completed, a sum of Rs.10,000,000 out of the grant had been recognized to income as amortization. That asset had been completed and capitalized. The showroom had been depreciated according to the depreciation policy of the Board at 5 per cent and a sum of Rs.10,000,000 or 10 per cent had been brought to account as amortization. In addition to this, a sum of Rs.1,800,000 exceeding the depreciation on the Battaramulla showroom, had been recognized to income as amortization. As such the income of the preceding year and the year under review had been erroneously overstated by sums of Rs.10,000,000 and Rs.6,800,000 respectively.

(b) Accordingly to the policy of the Board in connection with voluntary retirements is accounting for the entire amount of compensation paid in each year as expenditure of such year. Contrary to that, a sum of Rs.3,093,187 out of the compensation amounting to Rs.10,432,332 only had been brought to account as expenditure of the year, while the balance sum of Rs.7,339,145 had been shown under the current assets as prepayments.

(c) Sums totaling Rs.17,219,407 had been spent on the opening ceremonies of the Museum and the Battaramulla Showroom. A policy decision had been reached under Note No. 7.4 (c) of the financial statements for the write off of this recurrent expenditure in three years. Instead of writing off Rs.12,705,254 to the Income and Expenditure Account for the year, that had been brought to account as a current asset (prepayments).

2.2.3 Accounting Deficiencies

The following accounting deficiencies were observed.

(a) Even though the stock as at the end of the year had been computed by conducting an annual verification of stocks, the balance according to the computer had been brought to account. As such action had not been taken for the identification of the stock excess amounting to Rs.3,475,710 and stock shortages amounting to Rs.5,309,076 detected during the year for making necessary adjustments or for the recovery from the parties responsible. The stock as at the end of the year under review had been overstated by a sum of Rs.1,833,366.

(b) The total expenditure of the "Ape Gama" Project operated as a Project of the Board amounted to Rs.14,207,039 and out of that a sum of Rs.4,735,679 only had been brought to account as expenditure of the year and the balance sum of Rs.9,471,360 had been brought to account as current assets (prepayments).

(c) A special grant of Rs.25,467,530 received by the Board from the Government about three years ago had been shown under creditors.

(d) Provision for depreciation for the year under review had not been made in respect of the fixed assets of the Projects and Crafts Training Centres at Katubedda and Keselwatta totalling Rs.63,036,487.

(e) A stock of outdated and discoloured goods totaling Rs.5,572,319 which cannot be sold had been shown under the Debtors, Deposits and Prepayments of the year.

(f) Depreciation amounting to Rs.841,169 had not been made in respect of the Laksala showroom, at Galle capitalized in the year under review.

(g) Fixed assets valued at Rs.46,298,422 current assets valued at Rs.31,171,476, non-current liabilities valued at Rs.12,345,384 , current liabilities valued at Rs.17,411,782 and the capital reserves valued at Rs.47,712,732 relating to crafts training transferred to the National Crafts Council had been eliminated from the statement of financial position as at the end of the year under review and shown as a note without effecting settlement.

2.2.4 Unsettled Balances

Out of the debtors and deposit balances totaling Rs.67,660,197 , a sum of Rs.46,440,350 had been balances older than 03 years and necessary action had not been taken for the settlement of those balances.

2.2.5 Lack of Evidence for Audit

The registers, schedules and the Register of Advances in respect of current liabilities totaling Rs.56,394,885 and sundry advances totaling Rs.11,837,868 had not been furnished for audit and as such those could not be satisfactorily vouched or verified in audit.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations, etc., observed during the course of audit are given below.

Reference to Laws, Rules, Regulations, etc.,	Particulars of non-compliances
(a) Section 44 (b) of the National Crafts Council and Allied Institutions Act, No. 35 of 1982	Even though the local and foreign sale and marketing promotion of handicraft articles is the main objective of the Sri Lanka Handicrafts Board, no articles whatsoever had been exported to foreign countries during the year under review.
(b) Section 12 of the Finance Act, No. 38 of 1971	Even though a copy of the Annual Report for the year 2013 proposed for publication with the financial statements should be presented to the Auditor General, it had not been so done.
(c) Treasury Circular No. 842 of 19 December 1978	A Register of Fixed Assets had not been maintained for fixed assets totaling at Rs.63,103,149.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
Financial Regulation 371	Even though the maximum limit of advances payable is Rs.20,000, advances up to Rs.500,000 had been granted to 36 Officers.

(e)	Public Enterprises Circular No. PED/12 of 02 June 2003 --	
	(i) Section 8.3.8	Cash rewards and donations totaling Rs.1,796,701 had been paid by the Board to various 36 institutions and persons without the prior approval of the Cabinet of Ministers.
(f)	Letter No. PE1/000/6 (Allowance) Vol. II dated 05 June 1998 of the Department of Public Enterprises	Even though only the Chairman of the Board can obtain reimbursement of entertainment expenses, contrary to that, reimbursement of entertainment expenses up to a maximum of Rs.150,000 per month had been approved for the Chief Executive Officer without obtaining the approval of the Cabinet of Ministers and a sum of Rs.1,819,845 had been paid during the year under review.
(g)	Circular No. PED/50 dated 28 October 2008 of the Department of Public Enterprise	Even though a Chairman of the Board or Corporation is entitled to 220 litres of petrol or Rs.20,000 per month or Rs.30,000 per month if a motor vehicle of the Board is not used, contrary to that, the Chairman has obtained a sum of Rs.1,867,845 for the motor vehicle and the Driver's salary at Rs.150,000 per month and Rs.600,000 as fuel allowance at Rs.50,000 in the capacity of Chairman / Chief Executive Officer.
(h)	Procurement Guidelines of 25 January 2006	
	(i) Section 2.7.5	The Secretary to the Ministry should appoint a Procurement Committee for the Board and one of its members should be the Assistant Secretary / Director. Nevertheless, the Secretary to the Ministry had not appointed such Committee in terms of the Guidelines. Instead a Department Procurement Committee had been appointed by the Board comprising with the Board officers Chairman, Managing Director Executive Director (Finance), and Project Director.
	(ii) Section 2.14.1 and Section 21 of the Supplement to Guidelines dated 23 February 2012	According to the Procurement Guidelines, a Department Procurement Committee can execute contracts valued less than Rs.20 million only by inviting quotations from

		registered contractors. Nevertheless, contracts valued between Rs.2.8 million to Rs.125 million had been executed through the registered contractors under the approval of the Department Procurement Committee as mention above.
(iii)	Section 3.2	Even though the National Competitive Bidding Procedure should have been followed in terms of the Procurement Guidelines for the constructions and rehabilitation of sales outlets by the Board at a cost of Rs.354 million, it had not been so done. The Board had invited quotations only from the four registered contractors and awarded the contracts to one contractor.
(iv)	Section 5.4.4	Even though a maximum advance of 20 per cent of the contracted amount can be paid by obtaining an acceptable advance payment guarantee, the Board had paid unlimited advances as requested by the contractors without obtaining advance payment guarantees. Those represented 82 per cent to 100 per cent of the contract value.
(v)	Section 5.4.6	Even though a specified amount should be retained from every payment made to the contractor and kept until the expiry of the defects liability period, it had not been so done in connection with different contracts valued at Rs.252 million.
(vi)	Section 5.3.5	According to the Guideline, on the eligibility of bidders, the domestic contractors should be registered with the Institute of Construction Training and Development. But it was not revealed that those contractors had been registered accordingly.
(vii)	Section 5.4.8 and Supplement 18 dated 28 September 2010 to the Procurement Manual	Any contract for works should require a performance security of not less than 5 per cent of the estimated contract sum to safeguard the procurement entity in case of breach of contract by the contractor. But such security had not been obtained in

			connection with work valued at Rs.252 million.
	(viii)	Section 5.3.10	Even though bid validity for a prescribed period should have been obtained from all contractors participating in the Bid Inviting Process in connection with the construction and rehabilitation works valued at Rs.252 million or follow the alternative arrangements made therefore. But there was no evidence that bid validity periods had been obtained.
	(ix)	Section 5.4.12	Even though the payments made for covering the Value Added Tax should be informed to the Commissioner General of Inland Revenue with copy to the Auditor General before the fifteenth day of the following month, it had not been so done.
	(x)	Section 8.13.03	According to the Procurement Guidelines, the maximum amount that can be allowed for contract variations is 10 per cent. Nevertheless, payment for additional work amounting to 58 per cent of the estimated amount for carrying out improvements to the Laksala Showroom at Galle, had been made.
(i)	Circular No. DMS/G3/60/2 dated 21 December 2012 of the Department of Management Services of the Ministry of Finance		The Scheme of Recruitment under the restructure in terms of paragraph 02 of the Circular had not been prepared.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Board for the year amounted to a net profit of Rs.13,742,680 as compared with the corresponding net profit of Rs.63,189,722 for the preceding year. Accordingly, a deterioration of the financial results amounting to Rs.49,447,042 as compared with the preceding year was indicated.

3.2 Analytical Financial Review

An increase of liabilities more than the assets was indicated. Details appear below.

(a) The non-current assets of the Board had improved by 48.8 per cent while the current assets had improved by 67.6 per cent. The non-current liabilities had increased by 116.1 per cent while the current liabilities had increased by 71 per cent. A sum of Rs.354 million had been spent on the construction and modernization of showroom under the non-current assets of the Board. Government grants amounting to Rs.107 million and a sum of Rs.300 million from the Bank of Ceylon through mortgaging the Laksala Building at Fort had been obtained under the non-current liabilities of the Board.

(b) The current assets had increased by Rs.298 million and as such the balance of stocks had increased from Rs.246 million to Rs.551 million by a sum of Rs.305 million. Loan amounting to Rs.300 million had been obtained from commercial Banks in this connection.

(c) The gross profit ratio indicated a high value of 66.4 per cent and 33.6 per cent of the sales income of goods had been paid to the suppliers of goods to the Board as the cost of sales. As such it had not made any encouragement to the handicraftsmen. The net profit ratio had been 1.9 per cent and 64.5 per cent of the sales income had been spent on the recurrent expenditure of the Board. The current ratio had been 1.01:01 and the quick ratio had been 0.28:1 and as such it was observed that the financial position of the Board is not satisfactory.

(d) <u>Unusual Increase in Expenditure</u>
The following observations are made.

(i) The sales income of the year under review had improved by 40 per cent and the corresponding increases in the administration expenditure, distribution expenses and finance expenses had been 90 per cent, 81 per cent and 169 per cent respectively. Bank loans obtained for construction works had been the reason for the increase in finance expenses.

(ii) Even though the main objective of the establishment of the Board is increasing the income of the handicraftsmen by expanding the production of handicrafts and improving the quality thereof, only a sum of Rs.235 million or 33 per cent of the sales income of the Board amounting to Rs.699.7 per cent had been paid to the producers. Out of the sales income of Rs.504 million for the preceding year, a sum of Rs.209 million or 41.5 per cent had been paid to the producers. As such an encouragement of the handicraftsmen had not been caused. Instead the recurrent expenditure of the Board had been unusually increase, while the 12.5 per cent net profit in the preceding year had decreased to 1.9 per cent.

3.3 Legal Action instituted against or by the Institute

Two former officers of the Board filed cases against the Board for dismissal from service claiming reinstatement and payment of arrears of salary or compensation of Rs.5 million.

4. Operating Review

4.1 Performance

The following observations are made.

(a) The following deficiencies were observed between the targeted sales and the actual sales of the Thunmulla and other Branches for the year 2013.

Branches	Targeted Sales	Actual Sales	Difference	Percentage
	Rs.'000	Rs.'000	Rs.'000	
Thunmulla	148,000	318,463	170,463	115
Fort	178,500	85,699	(92,801)	(52)
Katubedda	17,200	30,123	12,923	75
Katunayaka	34,900	45,602	10,702	31
Kandy	63,000	24,735	(38,265)	(61)
Galle	29,400	40,149	10,749	37
Kurunegala	34,900	45,602	10,702	31
Battaramulla	24,400	20,986	(3,414)	(14)
New Branches (05)	10,450	47,539	37,089	355

The following observations are made in this connection.

(i) Out of 13 Laksala Showrooms the expected sales targets of three showrooms had not been achieved.

(ii) The sales income of the year under review amounted to Rs.688,112,358 and the sales income of the preceding year amounted to Rs.489,564,350. As such the sales income of the year under review, as compared with the preceding year, had improved by Rs.198,548,008 or 40.6 per cent.

4.2 Uneconomic Transactions

The following observations are made.

(a) Incentives and overtime amounting to Rs.46,926,152 and Rs.31,725,549 respectively had been paid in the years 2013 and 2012 respectively. Even though the profit for the year under review, as compared with the preceding year, had decreased by 78 per cent the incentives and overtime had increased by 47.9 per cent.

The distribution among the staff the incentives paid in the year 2012 and the according to the information furnished to audit for the period up to May 2013 is given below.

Group of Officers	2012			Up to 30 May 2013		
	Number of Officers	Incentive Percentage	Earnings Percentage per Officer	Number of Officers	Incentive Percentage	Earnings Percentage per Officer
Board of Management	14	30	2.14	15	33	2.2
Sales Staff	104	52	0.50	100	53	0.53
Support Service	65	18	0.29	51	14	0.27

According to the above information a higher percentage of the incentive had been allocated to the Board of Management and had been distributed among the 14 officers representing that Board, as follows.

Officers	Number	Percentage
Chairman, Chief Executive Officer	01	8.55
Other Chief Executive Officers	02	7.97
Directors, Sales / Stores / Purchase	03	6.00
Directors and Assistant Directors not directly related to sales	04	4.00
Instructors recruited on contract basis	04	3.50
	14	30.02

The following observations are made in this connection.

(i) The Incentive Scheme had been implemented based on the monthly turnover and other than the turnover, attention had not been to the operating profit and the net profit. Higher incentives had been paid in the months in which a low operating profit had been earned or losses had been sustained. Even though an operating loss of Rs.61,346 had been incurred by May 2013, incentives amounting to Rs.2,792,000 had been paid for that month. As such the manner of determining targets for payment of incentives when a loss had been incurred is questionable in audit.

(iii) Out of the total incentives paid, 53 per cent had been paid to 104 employees in operating grades who are directly involved in sales activities based on the achievement of target and attendance, 33 per cent of the incentives to 14 officers in the Board of Management based on a percentage of the turnover and 14 per cent of the incentives to 65 support services employees. As such it large scale discrepancies in the payment of incentives was observed.

(b) Even though a sum of Rs.6,138,145 had been spent on the foreign tours of the officers of the Board, no foreign sales had materialized through the foreign tours in the year under review.

(c) Despite the idling of the building complex at Katubedda, a building in Colombo had been procured on rent basis for a period of two years for office purposes. Sums of Rs.2,762,500 and Rs.1,350,443 had been paid during the year under review for rent and repairs respectively.

(d) A loan of Rs.400 million had been obtained by mortgaging a building of the Board valued at Rs.497 million and a sum of Rs.354,092,338 out of that had been spent for the construction of showrooms on lands obtained on rent and carrying out repairs.

4.3 Idle and Underutilised Assets

Even though the Handicrafts Training Division had been transferred to the National Crafts Council in the year 2009, the Carpentry Training Division had not been transferred to the National Crafts Council. As such, the three storeyed building of 20,000 square feet, the hostel with 40 twin beds, the Bag Manufacturing Centre Building of 8,000 square feet and tables and 80 chairs, log sawing machines and planing machines of which value could not be ascertained, had been idling and underutilized over a period of 03 years.

4.4 Identified Losses

A physical test checks of the modernized Thunmulla Laksala Branch revealed that a sum of Rs.4,285,994 had been paid for works not executed.

4.5 Staff Administration

The following observations are made.

(a) According to the Circular No. DMS/G3/60/02 dated 21 December 2012 of the Department of Management Services permanent staff of 127 and contract based staff of 67 had been approved. But 90 contract basis staff had been recruited while the permanent staff had decreased to 91. As such 36 posts out of the permanent staff remained vacant and 23 employees had been recruited under contract basis exceeding the approved number. Thus it was observed in audit that salaries and allowances had been paid without approval to 23 contract employees.

(b) Thirty three appointments had been made contrary to the above circular and the designations had been assigned as required. The manner of recruitment to those posts and the manner of determination of salaries and allowances to such employees had not been furnished to audit.

(c) Even though the permanent staff of the Board is less than the approved staff, the voluntary retirement of permanent staff under a Voluntary Retirement Scheme not approved by the General Treasury is being further implemented.

(d) After the retirement of the Chief Executive Officers of the Board in the permanent staff, they had been recruited on contract basis without the approval of the Cabinet of Ministers and without recruiting new officers for those posts.

(e) The staff on contract basis had been paid lesser salaries and allowances outside the salaries and allowances approved by the circular.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements and the draft Annual Report for the year under review should have been presented to the Auditor General within 60 days after the close of the year of accounts, the financial statements for the year 2013 had been presented only on 16 June 2014.

5.2 Internal Audit

Even though an Internal Audit Programme for the year 2013 had been prepared in terms of Section 13(5(d) of the Finance Act, No. 38 of 1971 internal audit had not been done according to the plan. Even though examinations to see whether the internal control systems of the Board are being successfully implemented and the examination of the financial statements including the vouchers relating to the day to day transactions should have been carried out to ensure the reliability of the accounts and other records an internal audit of the contentious matters such as the works and construction contracts and other sundry payments had not been carried out.

5.3 Corporate Plan

Even though the Board had prepared a Corporate Plan for the years 2011 to 2013, in terms of Section 5 of the Public Enterprises Circular No. PED/12 of 02 June 2003 had not been prepared. The Corporate Plan had not been reviewed on a timely bases and updated.

5.4 Procurement Plan

A Procurement Plan had not been prepared for the year under review, in terms 01 sections 05 of the Public Enterprises Circular no PED 12 of 02 June 2013.

5.5 Unsettled Audit Paragraphs

The following observations are made.

(a) Obtaining Contracts from State Institutions for Laksala contrary to the approval of the Cabinet of Ministers

A sum of Rs.329 million had been spent up to the end of the year under review on activities not authorized under the Cabinet Memorandum No. 06/021/231/004 of 01 February 2006 and the National Crafts Council and Allied Institutions Act, No. 35 of 1982 as reported in the Report of the Auditor General for the year 2012.

Institution	Particulars	Status
Sri Jayawardhanapura Kotte Municipal Council	Installation of 20 Solar powered electrical lighting system at the Welikada Children's Park and the Municipal Council premises.	Solar power sets are not working due to substandard construction. Sri Jayawardhanapura Kotte Municipal Council had filed a case against Laksala in this connection.
Sri Lanka Broadcasting Corporation	Construction of a Transmission Tower	Construction work had been stopped halfway. A letter indicating willingness to refund a sum of Rs.4,348,041 out of the advance obtained according to the agreement had been sent to the Chairman of the Sri Lanka Broadcasting Corporation on 10 July 2014.

(b) Establishment of an Engineering Unit in Laksala and award of Internal and External Contracts to Contractors registered with the Board

According to the decisions of the Board of Directors on the Board Papers No. 2010/01 an Engineering Unit had been established in the Laksala in October 2009 for carrying out engineering projects of any description as a profit centre and that had been suspended in April 2011. That had been restructured in accordance with the Board Paper No. 2011/29. The Board had decided to award all contracts to 04 registered contractions to award contracts or repairs to building contracts costing less than Rs.2.5 million to the private construction company established by converting the former Engineering Unit of the Laksala. The Board had also decided to obtain a profit percentage of 2 to 8 per cent of the income earned by them from external contracts and to delegate the powers of entering into contracts with the client institutions to the Chairman of the Laksala and the Secretary to the Board of Directors or the Director of Finance.

The following observations are made in this connection.

(i) Even though agreements for all contract works had been entered into for execution by the Sri Lanka Handicrafts Board (Laksala) Engineering Unit, the Laksala did not have such a Unit or the human or physical resources with qualifications and capacity for such unit.

(ii) The accepted methodology had not been followed in the registration of the 04 contractors and none of those institutions had been registered under the Institute of Construction Training and Development.

(iii) Even though all contracts had been executed in the name of the Laksala, the accounts in that connection had not been disclosed in the financial statements of the Laksala.

(c) Failure to take Action for the Transfer of Crafts Training Division to the National Crafts Council

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The following observations are made.

(i) According to the decision of the Cabinet of Ministers on the Cabinet Memorandum No. 08/2322/349/015 dated 08 December 2008, it had been decided to transfer the Crafts Training Division which functioned under the Sri Lanka Handicrafts Board to the National Crafts Council, those activities had not been finalized even by the end of the year 2013. According to the Letter No. 3/4/2/46 dated 06 April 2009 of the Secretary to the Ministry of Rural Industries and Self Employment Promotion, action had been taken to transfer 189 employees, 03 motor vehicles and 132 Crafts Training Centres of the Crafts Training Division of the Sri Lanka Handicrafts Board to the National Crafts Council from 01 May 2009. Out of those, 70 buildings belonged to the Board. Even though the equipment, machinery, tools and implements and 03 motor vehicles had been handed over to the officers of the National Crafts Council, the value thereof had not been computed and transferred even up to the date of audit.

(ii) The position with regard to (i) above had not been disclosed in the financial statements for the years 2010 and 2011. The balances shown under the Crafts Training Division in the financial statements for the year 2009 had been included as the balances as at 31 December 2012 in the financial statements for the 2012. Even though those had been eliminated from the statement of financial position as at 31 December 2013 and shown as a Note, action had not been taken to rectify that.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

(a) Accounting
(b) Internal Control
(c) Contract Administration
(d) Financial Control
(e) Human Resources Management
(f) Stock Control