Board of Investment of Sri Lanka (BOI) - 2015

The audit of financial statements of the Board of Investment of Sri Lanka comprising the statement of financial position as at 31 December 2015 and the statement of income, statement of comprehensive income, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31 of the Greater Colombo Economic Commission Law, No.4 of 1978, as amended by Act, No. 49 of 1992. 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 frauds or errors.

1.3 Auditors' Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institution (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My Opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1. Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of financial position of the Board of Investment of Sri Lanka (BOI) as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2. Comments on Financial Statements

2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS)

The following observations are made.

(a) **LKAS 07 - Cash Flow Statement: -** The cash flow statement had not been prepared in the format prescribed in the Standard.

(b) **LKAS 16 – Property Plant and Equipment:-**

(i) Three thousand one hundred and sixty one (3,161) fully depreciated asset items costing Rs. 231,076,039 and with a carrying value of Rs.23 are being used by the Board without reviewing the useful life of them and accounted the changes in terms of Section 51 of the Standard.

(ii) The Board had categorized plant and machinery, internal roads, walk ways, jeep tracks, culverts, boundary walls, fences, gates, entrance buildings, storm water drains, supply lines, pipe lines, manholes, and irrigation canals etc. aggregating Rs. 5,298,074,392 as structures under Property Plant and Equipment and all the assets are being depreciating at a rate of 5 per cent per annum even though the nature, residual value and life time of the above fixed assets and the expected pattern of consumption and the future economic benefits embodied in the assets are different.

(c) **LKAS 19- Employee Benefit: -** The Board had not established a separate plan asset to settle the future retirement benefit obligations and the investments in treasury bills and repurchase agreements (REPOs) which come under current assets are used to settle the retirement benefit obligations.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) A deposit of Rs. 17,500,000 spent for acquisition of a land had been erroneously shown under other debtors. Further, an amount of Rs.1,144,860 had been provided thereon as impairment, thus the provision for impairment had been overstated by similar amount.

(b) A balance of Rs.15,142,236 had been included under the advances for preliminary expenditure on projects as at 31 December 2015 instead of being shown the actual receivable balance of Rs. 363,320.

(c) The Board had received the BOI website maintenance services from a private company until the end of the year under review and the payments of Rs. 2,548,470 were made up to the month of September 2015. However the payable amount of Rs. 849,490 for the month of October to December 2015 had not been accounted for.

(d) Interest income on treasury bills amounting to Rs. 3,829,237 had not been recognized as income for the year under review.

(e) Land premium receivable from a private company at the execution of the agreement amounting to Rs.3,771,572 had not been accounted for.

(f) A cash shortage of Rs. 507,650 shown under other receivables had been disclosed as a contingent liability in the Notes to the Financial Statements.

2.2.3 Un-reconciled Differences

The following observations are made.

(a) According to the schedule presented for audit, the balance in the accumulated depreciation of building as at 01 January 2015 was Rs. 524,774,042. However, it was shown in the audited financial statements of the previous year as Rs.523,933,258. Hence, a deference of Rs.840,784 was observed.

(b) A deference of Rs.840,783 was observed between the depreciation on building shown in the Notes No. 11 and 12 to the financial statements and the income statement for year under review.

(c) The following differences were observed between the amount shown in the financial statements and the relevant schedules submitted to audit for the year ended 31 December 2015.

Description	Amount as per Financial Statements	Amount as per the Schedules	Difference
	Rs.	Rs.	Rs.
Ground Rent	678,123,208	677,151,203	972,005
Disallowed Input Value Added Tax	83,255,799	83,386,146	(130,347)
Nation Building Tax	37,562,332	37,875,667	(313,335)

2. 3 Accounts Receivable and Payable

The following observations are made.

(a) Dues from Enterprises

(i) According to the age analysis presented for audit, the dues from BOI approved enterprises as at 31 December 2015 amounted to Rs. 473,824,469 and out of this an amount of Rs. 240,421,739 had remained outstanding for more than two years.

(ii) The office rent receivable as at 31 December 2015 was amounted to Rs.29,294,592 and out of this an amount of Rs. 19,908,958 or 68 per cent had remained for more than five years.

(iii) It was observed that the entire land premium amounting to Rs.12,955,757 had remained outstanding for more than two years.

(iv) Out of total provision for impairment of Rs.290,480,584, a sum of Rs.246,272,344 or 88 per cent had represented dues from cancelled, closed down and operation suspended projects as at 31 December 2015. Further, this provision had rapidly increased during last six years from 39 per cent to 61 per cent.

(v) A provision for impairment of Rs.181,711,695 had been made during the year under review for annual fees, which was 87 per cent of total annual fees receivable amounting to Rs.207, 626,104 as at 31 December 2015.

In view of the above observations it was revealed that the recovery actions of the Board on the outstanding balances were at a very weak level.

(b) Other Debtors

(i) A sum of Rs.1,604,200 receivable from a private company which was the auctioneer of Wathupitiwala Housing Units had remained unrecovered for over six years and no any evidence was made available to prove the existence of an agreement between the company and the Board and no action had been taken to recover this outstanding amount.

(ii) A cash and stock shortage of Rs. 509,740 shown under other debtors remained unchanged for over twelve years.

(iii) Out of total other debtors as at 31 December 2015 amounting to Rs.166,989,315 an amount of Rs. 55,180,104 or 33 per cent represented dues from Government Institutions and Statutory Boards and instead of recovering these outstanding balances of Rs. 37,380,104 remained in the accounts for more than two year, a 100 per cent provision for bad and doubtful debts had been provided in the financial statements for the year under review.

(c) Irrecoverable Staff Loans

Out of total irrecoverable staff loan balance of Rs.4,295,126 as at 31 December 2015, a sum of Rs.606,316 had been remained as irrecoverable for over four years indicating poor level of follow up actions on recovery of outstanding balances.

(d) Payables

(i) According to the age analysis of the sundry creditors, sums aggregating Rs.3,425,877 had not been settled for over 3 years.

(ii) Out of retention money totalling Rs.20,728,678, a sum of Rs.9,043,394 or 44 per cent related to 37 contracts had remained unsettled for more than three years.

2.4 Non–compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance observed in audit are given below.

	Reference to Laws, Rules and Regulations etc.	Non – Compliances
(a)	Section 10 (5) of the Finance Act, No. 38 of 1971	Net surplus of the year under review after the appropriations had not been remitted to the Consolidated Fund.
(b)	Public Finance Circular. No. 02/2016 of 12 February 2016	The Board of Directors had decided to waive off the dues from BOI Enterprises amounting to Rs.215,956,513 without approval of the General Treasury.
(c)	Public Administration Circular No. 02/99 dated 26 February 1999	Amount spent by the officers for purchase of their mobile phones amounting to Rs.206,891 had been reimbursed to six officers and one consultant of the Board without approval of the Director General of Establishments.

2.5 Unauthorized Transactions

The following observations are made.

(a) According to the Public Enterprises Circular No. 95 of 14 June 1994, Corporations and Statutory Boards can only make payments to its employees those benefits specially approved by the Cabinet, Public Administration or General Treasury with the approval of their governing bodies. However, the Board had paid a sum of Rs.3,509,042 as professional allowances for the year under review by obtaining an approval from than Ministry of Policy Planning and Administration in the year 1991.

(b) The Board at the Board meeting No. 331 held on 24 November 2015 had approved the proposal for increasing the professional allowance for qualified staff from Rs.2,500 to Rs.7,500 and Rs.1,250 to Rs.3,750 with effect from 01 December 2015. The approval of the Department of Management Services and recommendation of the Salaries and Cadre Commission had not been obtained in this connection as requested by Management Services Circular No. 39 of 26 May 2009.

(c) The employees of the Board had enjoyed both attendance incentive and encashment of unutilized medical leave in contrary to the Public Enterprises Circular No 95 of 14 June 1994. The attendance incentive scheme was replaced by Key Performance Payment (KPP) Scheme with effect from 01 November 2013 as per the directives of Committee on Public Enterprises held on 14 November 2012 to prepare a proper incentive scheme instead of present incentive scheme based on the attendance of employees. The Board had paid a sum of Rs. 351,414,308 as KPP allowance for the year 2015 without obtaining the approval as per the Public Enterprises Circular No. 95 of 14 June 1994.

(d) An amount of Rs.380,000 had been paid to an officer as a special allowance at a rate Rs.10,000 per month for the period from 01 June 2012 to 30 June 2015 for the additional works as the head of the department in addition to the duties in the current position without obtaining approval as per the Public Enterprises Circular No. 95 of 14 June 1994.

(e) A sum of Rs.472,123 had been paid as an additional incentive among 17 employees including the Chairman in March 2015 based on the approval of the Chairman and out of that a sum of Rs.55,544 had been refunded by the Chairman and one officer. However, the balance of Rs.416,579 had remained as un refunded until 30 April 2016.

(f) The loan scheme is included in the Human Resource Policy Manual of the Board is being implemented since the year 2007 with the approval of the Board of Directors. Even though the approval of the General Treasury had been sought by the Board for the Human Resource Policy Manual in the year 2014, such approval had not been received yet. The staff loan balances of the Board as at 31 December 2015 and relevant interest rates thereon are as follows.

Loan Category	**Balance as at 31 Decmber2015**	**Interest Rate**
	Rs.	**%**
Medical Loan	77,051	Nil
Gift Vouchers	75,312	
Festival Advance	2,730,500	

Special Advance	5,168,225	
Five Month Loan	83,192,690	
Additional Five Month Loan	62,198,527	
One Month Loan	3,060,780	4.2
Bicycle Loan	553,382	
Motor Vehicle Loan	489,257,702	
Total	**646,314,169**	

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Board for the year ended 31 December 2015 had resulted in a pre- tax net surplus of Rs.407,166,738 as compared with the pre- tax net surplus of Rs.432,571,478 for the preceding year, thus showing a deterioration of Rs.25,404,740 in the financial result for the year under review. Increase of total expenses by Rs.124,831,789 and decrease of finance income by Rs. 16,476,869 as against the increase of revenue by Rs. 113,394,809 with compared to the previous year were the main reasons attributed for this deterioration in the financial result.

3.2 Analytical Financial Review

Legal and professional charges for the year under review had increased by 132 per cent as compared with the previous year due significant increase in court cases and international arbitrations during the year under review.

4. Operating Review

4.1 Performance

The following observations are made.

(a) The Board had not prepared a performance report in line with the Action Plan. Therefore, the Action Plan could not made use of as an effective instrument of evaluating the performance of the Board.

(b) Progress of achieving the main objectives of the Board for the year under review is as follows.

Investment Promotion

The following observations are made in this connection.

(i) The budgetary allocation for investment promotion expenses for the year under review was Rs.50,000,000. However, the Board had spent only a sum of

Rs.34,599,084 or 69 per cent in the year under review and it was Rs.67,470,738 in the previous year.

(ii) According to the Action Plan for the year 2015, the Board had planned to conduct twenty five foreign visits with the investment target of US$ 2085 - US$ 2785 million within the year 2015. Out of that only nine foreign visits had been organized and the Board was unable to organize remaining sixteen visits of the year 2015, thus investment target of US$ 1095 – US$ 1490 million or 53-54 per cent had not been achieved. It was further observed that this had badly affected to the drop of total attracted foreign direct investments by 40 per cent as compared with the previous year.

Accordingly it was observed that the Board had unable to achieve its main objectives of investment promotion and attracting foreign direct investments during the year under review in efficiently and effectively.

Progress of the BOI Projects

The progress of Projects under Section 17 of the BOI Law for the year under review and five proceeding years are given below.

Year	**Number of Projects Approved** √*	**Number of Agreements signed** √*	**Number of Projects commenced operations during the year** √*	**Number of Projects Cancelled** √**	**Number of Projects Closed down** √**	**Number of Projects Suspended** √**
2015	220	152	82	20	78	13
2014	187	153	92	54	67	4
2013	176	145	93	120	38	7
2012	238	163	98	79	26	9
2011	160	165	99	47	7	4
2010	364	270	144	124	28	10
Total	1345	1048	608	444	244	47

√* Including expansions of existing Projects.

√** As per the current status of the Projects. (excluding expansion)

The following observations are made in this connection.

- Targets for these projects had not been set out in the Action Plan.

- Number of closed down projects had been gradually increased by 200 per cent during the period from 2012 to 2015 due to the actions taken by the Board to close down the projects which were not implemented and held up for a long period of time without realization of investments.

- Number of suspended projects in the year under review had been increased by 225 per cent as compared with the previous year as a result of non-compliance of Projects to the BOI requirements to conduct as a BOI enterprise.

Attracted Foreign Direct Investments

Attracted foreign direct investments during the period from 2010 to 2015 are given below.

Sector	2015	2014	2013	2012	2011	2010
	US$ Mn	**US$ Mn**	**US$ Mn**	**US$ Mn**	**US$ Mn**	**US$ Mn**
Manufacturing	256.99	333.90	359.76	307.65	322.42	159.65
Agriculture	3.87	5.72	8.47	7.17	17.97	6.45
Services	255.38	506.34	236.34	426.74	269.14	29.48
Infrastructure	453.45	682.45	786.83	596.60	456.53	320.72
Non BOI Projects	-	87.85	-	-	- -	-
	969.69	1616.26	1,391.40	1,338.16	1,066.06	516.30

The following observations are made in this connection.

- According to the Corporate Plan of the Board, the targeted Foreign Direct Investment for the year 2015 was US$ 3,500 million. However, the Board had able to achieve only US$ 970 million or 28 per cent of the target.

- Total attracted foreign direct investments in the year under review had decreased by 40 per cent as compared with the previous year due to insufficiency of the investment promotion program conducted by the Board and reduction of tax concessions given to the investors by the government.

4.2 Management Weaknesses

The following observations are made.

(a) The Board had awarded a contract of maintaining the website of the Board to a private company and the contract was expired on 30 September 2015. However, the company had continued to work with the Board up to 31 march of the year 2016, without extending the service agreement.

(b) Board had incurred foreign travel expenses of Rs. 612,326 for the Deputy Minister of Investment Promotion for the year under review. Nevertheless, the Board had failed to reimburse this expenditure from the Ministry even up to the end of March 2016.

(c) The Board had granted the permission to investing companies to mortgage its leasehold rights and interests on the demised premises and the buildings thereon and all plant, machinery and fixtures permanently fastened to the demised premises in any Bank and / or Credit Institution by way of signing tripartite agreements. The following observations are made in this connection.

(i) Legal Department of the Board had not maintained a proper register for mortgage land and buildings including the following information.

- Date of mortgage
- Agreement number
- Name of the bank and/or credit institution
- Period of mortgage

(ii) No restrictions or limits included in the principal agreement or tripartite agreement regarding the value that can be obtained by mortgaging leasehold rights over the property. Hence, most of the companies ended up with liquidation by defaulting loans obtained from financial institutions.

(iii) The Board had to bear the loss of depriving the land value, opportunity cost of idling land and dues to be receivable to the Board due to unsettled issues relating to mortgaged properties.

(d) The Board had entered in to an agreement with a Rubber manufacturing company at Horana Export Processing Zone, to reimburse the electricity tariff if the rates prevailed on 29 December 2000 will be increased in future over 6.9 per cent per annum. Accordingly, the company had claimed a sum of Rs. 1,266,213,466 for increased electricity tariffs, interest on delay in the payment of indemnity and the arbitration cost incurred by the company in terms of the final decision given by the International Court of Arbitration of the International Chamber of Commerce (ICC). The Board had made an appeal against the award given by the ICC at the Commercial High Court and an award given in favour of the Board. The company had made an appeal against the award given in favour of the Board.

However, on 28 July 2015 both parties came into a settlement agreement in order to resolve the following matters.

(i) The company had agreed to not claim in indemnity of electricity as at 31 July 2014 amounting to Rs. 1,266,213,466.

(ii) The Board had agreed to write off the water bills and annual ground rentals amounting to Rs. 213,319,273 for the leased land in the financial statements of 2015.

(iii) The company had agreed to accept reduced extent of land offered by the Board containing in extent of 357 acres 2 rude and 30.64 perches.

(iv) The company shall pay the actual cost of water treatment and distribution over a period of ten years with effect from the date of this agreement, which cost of water, is currently at Rs.75/m3.

According to the Consultant (Legal) of the Board, all the legal cases related to this matter were withdrawn by both parties on 28 March 2016.

(e) The Perth Estate was purchased by the Board and a part of the estate had been handed over to a Sri Lanka State Plantation Corporation (SLSPC) for the management of five years period. The following observations are made in this connection.

(i) The Board had not received the related financial statements since 2006 from Sri Lanka State Plantation Corporation (SLSPC).

(ii) The SLSPC had not regularly remitted the profit to Board as agreed except a sum of Rs. 10 million remittances made during the year 2005. As per the financial statements submitted for the year 2006, the dues from the SLSPC pertaining to the Perth Estate was Rs. 16.47 million. However, the Board had not clearly identified and recorded the correct amount receivable from the SLSPC even up to 31 December 2015.

(iii) The matters pertaining to the Perth Estate contravening the conditions of the agreement, such as increasing the management fees by 15 per cent, unilateral utilization of revenue by the Perth Estate, investment of revenue amounting to Rs. 20 million generated from the Perth Estate in the name of the contractor, unauthorized transfer of motor vehicles and bungalow rental amounting to Rs. 12.42 million through the current account to the contractor etc. are yet to be resolved.

4.3 Operating Inefficiencies

4.3.1 Operation of Export processing Zones (EPZ), Industrial Parks (IP) and Regional Offices

The following observations are made.

(i) Two EPZs, an IP, a Regional Office and the Head Office had been running at a loss and the losses sustained during the year under review and in the previous 03 years are shown below.

Zone	**Losses for the year**			
	2015	**2014**	**2013**	**2012**
	Rs.000	Rs.000	Rs.000	Rs.000
Wathupitiwala EPZ	(3,323)	777	(2,969)	(7,767)
Koggala EPZ	(47,108)	(40,781)	(14,050)	(11,775)

Malwatta IP	(1,914)	(4,376)	(2,748)	(5,531)
Head Office	(237,584)	(502,134)	(401,606)	(187,083)
North Western Regional Office	(30,307)	(28,010)	(9,147)	(21,639)

(ii) Even though the under mentioned Export Processing Zones excluding Wathupitiwala Export Processing Zone and one Industrial Park had been running at profit, the pre- tax surplus of them had been declined as compared with the previous year. Details are shown below.

Name of EPZ	**Surplus for the year**		**Percentage of decline**
	2015	**2014**	
	Rs. 000	RS. 000	
Katunayake Export Processing Zone	238,914	259,088	8
Biyagama Export Processing Zone	127,787	159,421	20
Seethawaka Export Processing Zone	163,866	217,000	24
Meerigama Export Processing Zone	29,259	39,290	26
Wathupitiwala Export Processing Zone	(3,323)	777	528
Horana Export Processing Zone	66,894	77,773	14
Mawathagama Export Processing Zone	4,583	14,867	69
Polgahawela Export Processing Zone	19,879	38,534	48
Kandy Industrial Park	54,025	56,545	4

4. 4 Transactions of Contentious Nature

Expenses of Rs. 2,865,000 incurred in the year under review under investment promotion category had not been related to the purpose of investment promotion.

4.5 Idle and Underutilized Assets

The following observations are made.

(a) A land Named Maliduwakanda Estate with an extent of 122 acre 01 rout 27.4 perches, purchased by the Board on 23 January 2004 at cost of Rs. 97,937,000 had not been utilized for any purposes up to the end of April 2016. According to the fixed asset register, the book value of this land as at 31 December 2015 was Rs.100,800,000.

(b) The balance of Tsunami Relief Fund amounting to 2,203,505 remained unchanged even up to the end of the year under review without being utilized for intendant purposes.

4.6 Identified Losses

The following observations are made.

(i) A private company was entered into an agreement with the Board on 14 August 1992 under section 17 of the BOI Law to set up and operate a business of manufacture and export of apparel and other textiles. On 05 November 1992 the Board had terminated the agreement and requested investing company to transfer all buildings and machineries thereon to the Board with the agreed compensation. Since the Board had failed to pay compensation as agreed, the matter was referred to the Sri Lanka National Arbitration Centre and the award was made on 07 August 2000 to pay a sum of Rs. 23, 835,535 as full and final settlement. Upon payment of the said sum, the enterprise filed an application in High Court of Colombo bearing HC/ARB/1254/02 under Section 31 of the Arbitration Act to enforce an arbitral award seeking a further payment of Rs. 37,200,000 from the Board. As per the judgment delivered by the High Court on 14 May 2012, the Board was liable to pay Rs.102,138,350. On 22 December 2014 the Registrar of the Commercial High Court has given an order to seize BOC account bearing number 1431688 for the amount of Rs.102,138,350 since the Board failed to comply with the High Court decision. However, on 01 January 2015 an amount of Rs.102,138,350 had been deposited by the Board in a bank account of the High Court. Further, the Board had written off this amount during the year under review even though the case is pending.

(ii) The Chairman of the State Plantations Corporation had interdicted five employees of the Perth Estate which is belonging to the Board. The interdicted employees filed a legal case in the Labour Tribunal claiming compensation. According to the judgement delivered by the Labour Tribunal, a sum of Rs. 3,820,450 had to be paid to the employees as compensation and it should be divided among BOI and SLSPC jointly and severally. Therefore, the Board had to pay a sum of Rs. 1,910,225 as compensation to the employees.

4.7 Resources Released / Given to Other Institutions

The following observations are made.

(a) Released of Employees to the Line Ministry

In contrary to Sections 8.3.9 and 9.4 of the Public Enterprises Circular No. PED 12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance, four Employees of the Board had been attached to the Ministry of Development Strategies and International Trade and incurred a sum of Rs. 761,711 as salaries and overtimes for the year 2015.

(b) Motor Vehicle Parking Passes

Twelve vehicle parking passes at the World Trade Center had been provided to the Ministry of Development Strategies and International Trade and a sum of Rs.625,000 had been spent thereof in the year 2015. However, the Board had failed to reimburse this expenditure from the Ministry even up to the end of April 2016.

4.8 Human Resources Management

The following observations are made.

(a) Hundred and fourteen (114) vacancies in different categories of the staff, including ninety eight (98) senior level staff and junior level staff had not been filled even by 31 December 2015.

(b) Even though there were hundred and sixty (160) employees are in excess to the approved cadre including seventy six (76) middle level staff. the Board had not taken actions to the retrench or redeploy the excess staff in consultation with the Department of Public Enterprises.

(c) Nine (9) Management Assistants (Non-Technical) and seventy two (72) Primary Level- Unskilled employees are in excess to the approved cadre as the Board had recruited number of employees on contract and casual basis without considering the actual human resources requirements of the Board.

(d) Thirty three officers had been recruited on contract basis without obtaining proper approval from Department of Management Services in terms of Management Service Department Circular No. 28 & 28 (I) of 10 April 2006 and May 2006 and had incurred a sum of Rs. 9,560,108 as salaries and overtime payments for the year 2015.

(e) Succession Plan for the future human resources requirements had not been prepared by the Board.

4.9 Legal Cases Commenced by and Against the Board

According to the information made available at the Legal Department of the Board, it was observed that there were 43 unsettled Court cases at the end of the year under review and out of that 38 cases were filed by the outsiders against the Board claiming compensation of Rs.11,198,251,793 and the Board had filed five legal cases against the outsiders claiming compensation of Rs.4,503,475.

5 Accountability and Good Governance

5.1 Corporate Plan

According to the Corporate Plan for the period of 2014 to 2016 no specific targets have been set out with specific time frame.

5.2 Action Plan

Although an Action Plan had been prepared for the year under review, it had not in line with the Corporate Plan of the Board.

5.3 Internal Audit

The following observations are made.

(a) The Board had not settled its minimum internal audit program by agreement with the Auditor General, in terms of Section 13 (5) (d) of the Finance Act, No. 38 of 1971.

(b) The internal audit had not given a sufficient concentration on financial audit during the year under review.

5.4 Procurement Plan

A Master Procurement Plan and a Procurement Time Table for the year under review had not been prepared by the Board according to the Guideline 4.2.1 and 4.2.2 of the Government Procurement Guidelines - 2006.

5.5 Budgetary Controls

Significant variations were observed between the budgeted and the actual figures, thus the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

(a) Control over Personnel Emoluments

The BOI had not taken proper approvals for staff allowances such as professional allowances, monthly transport allowances and Key Performance Payments etc.

(b) Collection of Dues from Enterprises

No proper and effective procedure had been followed by the Board to recover the outstanding balances from BOI approved enterprises.

(c) Accounting

Though the delegation of authority had been established by the Board for journal entries, it was observed that in some instances the limits of authority had been exceeded and journal entries had not been approved.