Board of Investment of Sri Lanka – 2016

The audit of financial statements of the Board of Investment of Sri Lanka ("the Board") comprising the statement of financial position as at 31 December 2016 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.

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 2016 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/SLFRS)

The following observations are made.

(a) **LKAS 01- Presentation of Financial Statements: -** According to the provision in the Standard, the Board shall disclose significant accounting policies and other accounting policies used that are relevant to understanding of financial statements. However, the accounting policies, nature and circumstances associated with the expenditure incurred for facilitation of infrastructure for Mega Projects which directly deducted from the accumulated fund had not been disclosed in the financial statements.

(b) **LKAS 10 –Events after the Reporting Period: -** An Board shall disclose the date when the financial statements were authorized for issue and who gave that authorization, since it is important for users to know when the financial statements were authorized for issue because the financial statements do not reflect events after this date. However, date on which the financial statements authorized for issue had not been disclosed in the financial statements.

(c) **LKAS 16 – Property Plant and Equipment: -** According to the paragraph 55 of the standard, depreciation of an asset is begun when it is available for use and ceased at the earlier of the date that the asset is disposed. In contrary to that, the Board had not charged depreciation on fixed assets in the year of purchase while charging in full in the year of disposal.

(d) **LKAS 19- Employee Benefits: -** The Board had not established a separate plan asset to settle the future retirement benefit obligations. However, 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) Rent income for 25th floor of the World Trade Centre had been understated by Rs.3,882,144 due to calculating the rent income based on the previous lease agreement instead of being calculated by considering new lease agreement entered during the year under review.

(b) A difference of Rs. 222,150 was observed between the interest in suspense account and interest on leased hold vehicles account for the month of November 2016 due to a classification error.

(c) Office rent amounting to Rs 6,811,737 received for November and December 2015 which had not been shown as receivable in the previous year had been accounted as an income of the year under review. Hence, the surplus for the year under review had been overstated by similar amount.

(d) A land to the value of Rs. 209,600,000 had been granted to another institute based on the Schedule 11 of the Revival of Under-performing Enterprises or Under-utilized Assets Act, No.43 of 2011. Compensation receivable thereon amounting to Rs.423, 360,000 had been shown under other receivables without obtaining a confirmation from the respective party. Therefore, the balance of other receivable account had been overstated by Rs.423,360,000. Further, the difference between the value of land and the compensation of Rs. 213,760,000 had been credited to the accumulated fund of the Board. Accordingly, the accumulated fund had been overstated by Rs, 213,760,000.

2.2.3 Unexplained Differences

The following observations are made.

(a) Differences aggregating Rs. 92,727,084 was observed between the seven items of accounts shown in the cash flow statement prepared for the year under review and the amount calculated in audit by using the available information for audit. The reason for differences had not been explained to audit.

(b) A difference of Rs.167,900 was observed between the depreciation on structures according to the depreciation calculation schedule presented to the audit and the Note No. 11 to the financial statements for year under review.

2. 3 Accounts Receivable and Payable

2.3.1. Dues from BOI Approved Enterprises

The following observations are made.

(i) According to the age analysis, the dues from BOI approved enterprises as at 31 December 2016 was amounted to Rs. 564,553,943 and out of this an amount of Rs.261,744,375 or 46 per cent had remained outstanding for more than two years.

(ii) Annual fee receivable as at 31 December 2016 was amounted to Rs.231,271,138 and out of this Rs.142,569,265 or 62 per cent had remained for more than four years.

(iii) Provision for impairment had represented 54 per cent of the total dues from the enterprises as at the end of the year under review.

(iv) Out of total provision for impairment of Rs.304,664,041, a sum of Rs.256,934,105 or 84 per cent had represented dues from cancelled, closed down and operations suspended projects as at 31 December 2016.

(v) A provision for impairment of Rs.203,743,845 or 88 per cent had been made during the year under review for annual fees, out of which a sum of Rs.181,101,811 or 78 per cent had represented dues from 438 cancelled projects, 180 closed down projects and 83 operation suspended projects.

2.3.2 Other Receivables

The following observations are made.

(i) A sum of Rs.1,604,200 receivable from a private company on the account of auction of the 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 that company and the Board .

(ii) A cash shortage of Rs.507,650 and a stock shortage of Rs.2,090 shown under other receivables remained unchanged for over thirteen years.

(iii) Out of total other receivables amounting to Rs.490,544,093 as at 31 December 2016, an amount of Rs.461,040,103 or 94 per cent represented dues from Government Ministries and Statutory Boards. Further, an amount of Rs.37,680,103 receivable from Government Institutions had not been recovered for over 4 years. Details are as follows.

Name of the Institution	**Amount due as at 31 December 2016**
	Rs.
Janatha Estate Development Board	37,412,573
Ministry of Foreign Affairs	141,950
Sri Lanka States Plantation Corporation	125,580
Total	37,680,103

(iv) Further, a 100 per cent provision for impairment on outstanding balances from the Government Institutions for over four years had been made in the financial statements as it was failed to recover these balances even up to 31 December 2016.

2.3.3 Irrecoverable Staff Loans

The following observations are made.

(i) Out of total irrecoverable loan balances of Rs. 5,671,860 as at 31 December 2016, a sum of Rs. 1,403,748 or 25 per cent had remained unrecovered for over 4 years.

(ii) Irrecoverable loan balances, aggregating Rs.3,405,344 and Rs.2,235,299 had remained outstanding due to interdiction of seven employees and vacation of post of eight employees respectively. Further, the instances where the balances are remained unrecovered due to ending the contract period of employees who recruited on contract basis, resignations of employees and releasing employees to the line Ministry without recovering the dues were observed.

2.3.4 Payables

The following observations are made.

(i) Sundry creditors aggregating Rs.8, 392,906 had not been settled for over 3 years.

(ii) Out of retention money totalling Rs.19, 809,741, a sum of Rs.5,446,915 or 27 per cent related to 16 contracts had remained unsettled for more than three years.

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

Instances of non-compliance observed in audit are given below.

	Reference to Laws, Rules and Regulations etc.	Non – Compliance
(a)	Finance Act, No. 38 of 1971	
	(i) Section 10 (5)	Net surplus of the year under review after the appropriations had not been remitted to the Consolidated Fund.
	(ii) Section 11	The Board had invested a sum of Rs. 4,741,059,094 as at 31 December 2016 without the approval of the appropriate Minister concern with the concurrence of the Minister of Finance.
(b)	Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
	Financial Regulation 113 (3)	The Board of Directors had decided to waive off the dues from BOI Enterprises amounting to Rs.23,442,740 without the approval of the General Treasury.
(c)	Public Enterprises Circular No. PED 55 of 14 December 2010 ,	A representative from General Treasury had not been appointed as an observer of the Audit and Management Committee meetings of the Board.

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. Nevertheless, the Board had paid the professional, hardship, and special allowances aggregating to Rs. 11,627,707 to its employees without obtaining such approval. Further the Board had paid a sum of Rs.26,168,541 as transport subsidy for the year under review by obtaining an approval from the Board of Directors on 13 December 1990.

In the meantime the employees of the Board had enjoyed both attendance incentive and encashment of unutilized medical leave in contrary to the above Circular. 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. 349,375,058 as KPP allowance for the year 2016 without obtaining the proper approval. Further the method of calculation of the allowance had been revised without the approval of Department of Management Services and recommendation of the Salaries and Cadre Commission as requested by Management Services Circular No. 39 of 26 May 2009.

(b) According to the Public Enterprises Circular No. PED 05/2016 of 16 December 2016, the proposed bonus for the Government Corporations which have earned profits during the relevant financial year and pay or have paid incentives based on attendance performance or any other form of incentives is Rs. 13,500. However the Board had paid an amount of Rs. 40,000 for each of the permanent, casual and contract basis employees as annual bonus contrary to the provisions in the above Circular and a sum of Rs.48,159,291 had been so paid as bonus for the year 2016.

(c) The staff loan scheme is being implemented since the year 2007 under the approval of the Board of Directors was not approved by the Department of Public Enterprises even up to the end of the year under review.

3 Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Board for the year ended 31 December 2016 had resulted in a pre- tax net surplus of Rs.768,128,696 as compared with the pre- tax net surplus of Rs.407,166,738 for the preceding year, thus showing an improvement of Rs.360,961,958 in the financial result for the year under review. Increase of revenue and finance income by Rs.391,587,620 and Rs.103,637,217 respectively as against the increase of total expenses by Rs.135,699,114 with compared to the previous year were the main reasons attributed for this improvement in the financial results.

3.2 Analytical Financial Review

Unusual Increase of Expenditure

Legal and professional charges for the year under review was amounting to Rs. 40,995,850 and it had been increased by 100 per cent as compared with that of Rs. 20,484,797 in the previous year due to significant increase of legal 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 Progress Report for the year under review 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 during the year under review is as follows.

(i) Progress of the BOI Projects

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

Year	Number of Projects for which Agreements Signed	Number of Projects Commenced	Number of Projects Cancelled, Closed down or Suspended
2016	182	52	133
2015	156	96	111
2014	155	100	125
2013	146	108	165
2012	164	105	114
2011	165	103	58

The following observations are made in this connection.

- A significant decrease in number of Projects commenced the operations during 04 preceding years is observed while as compared with the previous year, a decrease of 46 per cent was observed in the year under review in this connection.

- Number of projects cancelled, closed down or suspended was greater than the number of projects which operations had been commenced in each year during the period of 2012-2016.

(ii) Attracted Foreign Direct Investments

Attracted Foreign Direct Investments (FDI) during the period from 2012 to 2016 is given below.

Year	Annual Target as per Corporate Plan (2014-2016) US$ Million	Actual Achievement US$ Million	Actual Achievements as a percentage of Annual Targets
2016	5,000	801.00	16
2015	3,500	969.66	28
2014	2,500	1616.26	65
2013	1,391	1391.40	100
2012	1,338	1338.16	100

According to the Corporate Plan of the Board, the targeted Foreign Direct Investment for the year 2016 was US$ 5,000 million. However, the Board had able to achieve only US$ 801 million or 16 per cent of the target due to insufficiency of the investment promotion program conducted by the Board and unavailability of an effective tax incentive scheme introduced by the Government.

4.2 Management Weaknesses

The following observations are made.

(a) The Board had paid a sum of Rs. 24,215,422 for the contractual services obtained without entering into a written agreement. Details are as follows.

Details of Service Obtained	Period	Amount paid Rs.
Website maintenance Service	01 October 2105 to 31 October 2016	2,825,000
Janitorial Services	01 January to 31 December 2016	4,156,200
Supply of tea for the Staff	01 January to 31 December 2016	7,338,588
Security Services	01 October to 31 December 2016	9,895,634
Total		24,215,422

(b) The following transactions aggregating to Rs.28, 826,165 had been made by the Board during the year under review without entering in to written agreements.

(i) Payment of Rs. 2,504,096 to the National Water Supply and Drainage Board for Designing the consultancy work of the contract of improvements of Common Sewage Treatment Plant at Wathupitiwala Export Processing Zone.

(ii) Leasing out buildings, premises and stores of the Board to external parties at an annual rental aggregating Rs.26, 322,069 as follows.

Activity	**Name of the Party**	**Amount Paid**
		Rs.
Leasing out the floor No. 03, 04 and 05 of the building at Sir Baron Jayathilake Mawatha	Ministry of Foreign Affairs	18,629,884
12 numbers of Buildings, premises and stores of 04 Export Processing Zones and Industrial Parks	Private Parties	7, 692,185
Total		26 322,069

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

(i) Some companies ended up with liquidation by defaulting loans obtained from financial institutions.

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

(d) The Perth Estate in Maputugala, Horana had been leased out to Vidyodaya Ayuuvedic Medical College (Pvt) Ltd. The said property had been mortgaged to the People's Bank for obtaining a loan amount of Rs. 5 million. Furthermore, a tripartite agreement had not been entered into in obtaining the said loan. The property had been acquired by the bank on 12 May 2013 due to failure in paying the loan, and it had been decided to sell the property in public auction. Although a new investor had agreed to purchase the leased property in the year 2014, an agreement had not been entered into between the Board and the new investor even up to 15 April 2017.

(e) A part of the Perth Estate purchased by the Board during the year 1999 had been handed over to the Sri Lanka State Plantation Corporation (SLSPC) for a period of 5 years since the year 1999 for management. Subsequently, it had been extended up to 08 December 2006. The following observations are made in this connection.

(i) According to the financial statements presented for the year 2006, the total amount receivable from the SLSPC relating to the Perth Estate amounted to Rs.16.47 million. However, the Board had not identified and reported the correct amount receivable from the SLSPC even up to 31 December 2016.

(ii) Rent for Motor vehicles and bungalow aggregating Rs.12.42 million had been irregularly transferred to the contractor’s account through the current accounts.

(iii) Although according to the survey report, the extent of the land purchased by the Board was 1563 acres and 24.74 perches, the extent of the land owned by the Board was 1435 acres, 3 roods and 25.03 perch. Accordingly, a difference of 127 acres and 39.71 perch was observed. However, the Board had not taken action in this regard even up to 31 December 2016.

(f) According to the Cabinet Decision No. 12/356/504/045 dated 22 March 2012, the approval was granted to transfer a land with an extent of 818 acres at Sampoor, Trincomalee to the Board to develop a heavy industrial zone. The land was granted to the Board by then President of Democratic Socialist Republic of Sri Lanka on free of charge. The following observations are made in this connection.

(i) The land granted to the Board for the project had been revoked by a notice published in the Gazette Extraordinary No. 1913/19 of 07 May 2015.

(ii) The Board had granted approval to release funds up to a sum of Rs.347,130,000 to the Divisional Secretary, Muthur for the construction of 1218 houses for relocation of families who have been affected due to the acquisition of the land. Accordingly, a sum of Rs. 20,000,000 had been paid to the Divisional Secretary, Muthur as a part payment on 01 August 2014. However, according to the letter of the Divisional Secretary, Muthur dated 29 October 2014, the foundation works of 50 houses were completed and an amount of Rs. 3,584,000 had been spent for the construction works. The Board had not taken action to recover the balance of Rs.16,416,000 from Divisional Secretary, Muthur or continue the construction works even up to 31 December 2016.

(g) A private company had entered into an agreement with the Board on 16 July 1998 to operate a business for manufacture of apparel and textile products for export under Fifty Garment Factories Program at Abayapura in Polonnaruwa District. The following observations are made in this connection.

(i) Land premium for the allocated land had not been charged even up to 31 May 2017.

(ii) The land occupied by the company had been provided by the Government to the Board as a grant. According to the Special Grant of Government Land, the revenue from the land should be credited to the Consolidated Fund. However, it was observed that the Board had not complied with this.

4.3 Operating Inefficiencies

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

It was observed that the following Export Processing Zones and the Regional Offices had continuously sustained losses over number of years due to excessive administrative expenses.

Component	Pre-tax Surplus /(Deficit) for the Year					
	2016	2015	2014	2013	2012	2011
	Rs. 000’	Rs. 000’	Rs. 000’	Rs. 000’	Rs. 000’	Rs. 000’
Koggala Export Processing Zone	(10,903)	(47,108)	(40,781)	(14,050)	(11,775)	(26,980)
Wathupitiwala Export Processing Zone	(9,062)	(3,323)	777	(2,969)	(7,767)	(15,743)
North Western Regional Office	(31,508)	(30,307)	(28,010)	(9,147)	(21,639)	(22,256)

4. 4 Transactions of Contentious Nature

The following observations are made.

(a) Expenses of Rs. 901,000 incurred in the year under review under investment promotion category were not related to the objectives of the Board.

(b) A land with an extent of 100 acres belonging to the Industrial Park in Wagawatta, Horana, had been allocated to a private company in order to manufacture radial tyres for local and foreign market. The Board had entered into an agreement with the company to lease out the land on 99 year lease basis for an annual lease rental of Rs.100 per acre based on the nominal value assessed by the Government Valuer without considering the actual market value of the land.

4.5 Idle and Underutilized Assets

The following observations are made.

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

(b) The balance of Tsunami Relief Fund and funds received for Commonwealth FDI Promotion amounting to Rs.1,958,839 and Rs. 1,917,160 respectively remained unchanged even up to the end of the year under review without being utilized for intended purposes.

4.6 Identified Losses

The following observations are made.

(a) 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 an amount of Rs. 23,835,535 as full and final settlement. Upon payment of the said sum, the company 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 an additional sum of Rs.102,138,350. On 22 December 2014, the Registrar of the Commercial High Court has given an order to seize bank 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. This case was in progress even as at 31 May 2017.

(b) The Board had terminated an employee of the Board on several malpractices and the employee filed a case in the Labour Tribunal Colombo, against the decision of termination. As per the order delivered by Labour Tribunal, the Board had to deposit Rs. 3,627,900 as compensation at the Labour Tribunal Colombo on 22 August 2016. Thereafter, the Board had appealed against the judgment given by the Labour Tribunal, Colombo and the case was in progress even as at 31 May 2017.

4.7 Delayed Projects

The proposal for improvements of Common Sewage Treatment Plant at wathupitiwala Export Processing Zone was made in the year 2009. Accordingly, it was decided to increase the capacity of the plant from 400 m^3 per day to 650 m^3 per day. On 14 May 2016, the company which provides the maintenance service of the treatment plant had informed the Board that increasing of plant capacity to meet the waste water discharge volume is very much essential as the insufficient capacity of the plant has heavily affected to the smooth operation and maintenance of treatment plant and high priority should be given to meet the treated waste water quality standards of the plant outlet. The Technical Evaluation Committee had been appointed on 03 August 2016. However it was observed that the project had not been completed even up to 31 May 2017.

4.8 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, three employees of the Board had been released to the Ministry of Development Strategies and International Trade and incurred a sum of Rs. 2,465,346 as salaries and overtimes for the year 2016.

(b) Motor Vehicles Parking Passes

Twelve vehicle parking passes at the World Trade Centre had been provided to the Ministry of Development Strategies and International Trade and a sum of Rs.720,000 had been spent thereof in the year 2016. However, the Board had failed to reimburse this expenditure from the Ministry even up to the end of May 2017.

(c) Fixed assets of the Board costing Rs.3,823,250 had been released to the Ministry of Development Strategies and International Trade without obtaining proper approval.

4.9 Human Resources Management

The following observations are made.

(a) Hundred and three (103) vacancies in different categories of the staff, including ninety five (95) managerial level posts had not been filled even by 31 December 2016.

(b) Sixty three (63) Management Assistants (Non-Technical) and hundred and eighty eight (188) Primary Level 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.

(c) Although 251 posts under the category of Management Assistants, primary level skilled and unskilled was an excess in cadre, overtime allowances of Rs. 58,504,285 had been paid during the year 2016.

(d) Eighty two (82) employees on contract basis and thirteen (13) employees on casual basis had been recruited and forty six (46) casual employees recruited prior to December 2014 had been absorbed during the year 2016 to the permanent cadre contrary to the provisions in the Management Services Circular No. 28 of 10 April 2006,

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

(f) The approved Scheme of Recruitment of the Board had not been revised according to the approved cadre. As a result, it was observed that some post of Executive Directors have been recruited without an approved Scheme of Recruitment.

4.10 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 41 unsettled Court cases at the end of the year under review and out of that 35 cases were filed by the outsiders against the Board claiming compensation of Rs.15,704,291,016 and the Board had filed 06 legal cases against the outsiders by claiming compensation of Rs.6,164,875.

5 Accountability and Good Governance

5.1 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.

5.2 Budgetary Controls

Significant variations were observed between the budgeted and the actual figures, thus showing that 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.

	Areas of control	Observation
(a)	Control over Personnel Emoluments	The Board 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.