

## **Board of Investment of Sri Lanka – 2018**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the Board of Investment of Sri Lanka for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **1.2 Basis for Qualified Opinion**

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My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

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

## 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

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### 1.5.1 Non-Compliance with Sri Lanka Accounting Standards

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Non Compliance with reference to particular Standard	Comments of the Management	Recommendation
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(a) <b>LKAS 01- Presentation of Financial Statements:-</b> The accounting policy, nature and circumstances associated with the deferred revenue and expenditure incurred for facilitation of infrastructure for Mega Projects which were directly deducted from the accumulated fund had not been disclosed in the financial statements.	Expenditure on Mega Projects has been directly deducted from the Accumulated Fund as the size and nature of this transaction is not material as a determining factor to be disclosed separately. However, nature and circumstances associated with deferred revenue will be disclosed under the Accounting Policies in 2019.	Significant accounting policies and other accounting policies used that are relevant to understanding of financial statements not which could influence the economic decisions of users should be disclosed.
(b) <b>LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors:-</b> Ground rent income amounting to Rs.8,964,714 invoiced in the year 2016 and 2017 and cancelled during the year 2018 had been charged to the current year without adjusting retrospectively.	The value of cancelled invoices does not undermine the reliability of Financial Statements.	The material prior period errors should be corrected retrospectively in the first set of financial statements authorized for issue after their recovery.
(c) <b>LKAS 16 – Property Plant and Equipment:</b> - The Board had not charged depreciation on fixed assets in the year of purchase while charging in full in the year of disposal. Accordingly, the depreciation for the year under review had been understated by Rs. 10,998,848 in the Financial Statements.	The depreciable amount of an asset has been allocated on a systematic basis over its useful life, to simplify the Fixed Assets Module & to be compatible with the IMAS. Further, Board has adopted present depreciation policy based on LKAS 16.	Depreciation policy should be set in a manner that the 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.

- (d) **LKAS 40 – Investment Property :-**
- A land at Mirijjawila Industrial Park valued at Rs. 18,343,000 which is used for administrative purpose had been identified as an investment property.
  - The Board had not disclosed the depreciation method used and useful lives or depreciation rates used in connection with the buildings categorised under investment properties.
- This will be corrected during the financial year 2019.
- This will be disclosed separately in the future.
- Lands used for administrative purpose should not be identified as investment properties.
- The depreciation method used and useful lives or depreciation rates used in connection with the buildings categorised under investment properties should be disclosed.

### 1.5.2 Accounting Deficiencies

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Audit Observations -----	Comments of the Management -----	Recommendation -----
(a) A receivable amount of Rs. 209,600,000 had been shown under other receivables from Cashew Corporation of Sri Lanka without obtaining confirmation of receipt from the responsible party. Hence the balance of other receivables had been overstated by the same amount.	former Cashew Corporation premises with a book value of Rs. 209,600,000/- vested under the Act of Underperforming Enterprises or Underutilized Assets was transfer to UDA and the Compensation Tribunal has determined a compensation to be paid to BOI. Therefore value has been shown under other receivables to give legal effect to the above transaction.	According to the prudence concept, receivables should be accounted only after they are confirmed.
(b) Differed expenditure amortization for the year under review had been overstated by Rs. 1,390,616 as the amortization had been made for the whole year without consideration of the relevant period.	Amortization is recognized in the income statement on straight line basis over the estimated lives of the assets.	Amortization should be made considering the relevant period.

### 1.5.3 Unreconciled Control Accounts or Records

Item	As per Financial Statements	As per Corresponding Record	Difference	Comments of the Management	Recommendation
	Rs	Rs	Rs		
capitalized amount transferred from Capital Work in Progress	18,404,140	0	18,404,140	Reply had not been given.	Amount shown in the Financial Statements should be aligned with the corresponding records.

### 1.5.4 . Documentary Evidences not made available for Audit

Description	Amount	Evidence not presented	Comments of the Management	Recommendation
	Rs.			
(a) Amortization of Deferred Expenditure				
- Relocation of BOI office	6,169,237	Confirmations for balance before 01 January 2016	This issue has been discussed at the Audit Committee Meeting held on 14th July 2015. It was agreed to maintain a register for deferred expenditure from year 2015.	Confirmations for balance should be presented to the Audit.
- Deferred Zone Development Expenditure	37,500,264	Confirmations for balance before 01 January 2016		
(b) Capital Work in Progress	19,029,730	Supporting documents for journal entries.	Relevant supporting documents for journal entries are attached.	Journal entries should be supported by relevant source documents.

## 1.6 Unauthorized Transactions

Description of unauthorized transaction -----	Comments of the Management -----	Recommendation -----
(a) The Board had paid 7 allowances totalling to Rs. 529,975,394 to its staff after obtaining only the approval of the Board of Directors without being obtained proper approvals in terms of provisions in Section 13 (2) (b) of the Board of Investment Act No. 04 of 1978.	The arrangements are being made at present to obtain Hon. Minister's approval for the above allowances/payments as per the Section 13(2) of the BOI Act No. 4 of 1978.	Approvals of the Minister of the line ministry should be obtained.
(b) Although the requested approval had not been granted from the Department of Public Enterprises, the staff loan scheme consisted with three categories of loans with zero interest rate and six categories of loans with an interest rate of 4.2 per cent is being implemented under the approval of the Board of Directors since the year 2007 and the balance of staff loans as at 31 December 2018 was Rs. 793,170,825.	Approval for the Human Resources Policy Manual of the BOI was requested from the Department of Public Enterprises on 10.03.2014.	Approval for the staff loan scheme should be taken from the Department of Public Enterprises .
(c) An employee of the Board who has obtained a loan from a public or private bank or a lending institution for any housing purpose is granted a reimbursement of the deference between the actual annual interest on the loan and 4.2 per cent subject to a maximum of 20.5 per cent under the approval of the Board of Directors. A sum of Rs. 42,165,668 had been reimbursed for the above loan scheme within the year under review without obtaining the approval from the Department of Public Enterprises.	Approval for the Human Resources Policy Manual of the BOI was requested from the Department of Public Enterprises on 10.03.2014.	Approval for the staff loan scheme should be taken from the Department of Public Enterprises.
(d) A building had been constructed by the Ministry of Justice on a land in extent of 41 perches located at Malwatta Export Processing Park during the year 2007 under the approval of then Chairman / Director General and the Board of Directors of BOI had granted approval in the year 2018 to the Ministry of Justice for the acquisition of the land without getting the approval of relevant authorities.	The Board of Directors of the BOI at its meeting held on 23.03.2018 has granted approval to the Ministry of Justice for acquisition of the land and now the Ministry of Justice is carrying out the acquisition process.	Approval of relevant authorities should be taken prior to the handing over the land to another party.

## 1.7 Accounts Receivable and Payable

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### 1.7.1 Receivables

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The dues from BOI approved enterprises as at 31 December 2018 was amounted to Rs. 639,266,361 and out of this an amount of Rs. 319,963,217 or 50 per cent remained outstanding for more than two years.	Approval of the Board of Directors has been obtained to write off the dues up to year 2012 and have submitted the details to the Line Ministry to obtain approval of the Treasury. Further, Executive Director (Recoveries) has been appointed to follow up on dues accumulated since year 2013.	Outstanding balances should be recovered without a delay.
(b) Annual fees receivable as at 31 December 2018 was amounted to Rs. 278,701,582 and out of this Rs. 172,007,591 or 62 per cent had remained for more than four years.		Outstanding balances should be recovered without a delay.
(c) Provision for impairment on dues from enterprises had represented 58 per cent from the total dues from enterprises as at the year under review. Out of total provision for impairment of Rs.372,722,869, a sum of Rs. 300,506,035 or 80 per cent had represented dues from cancelled, closed down and operation suspended projects as at 31 December 2018.	- do -	Legal actions to recover the outstanding balances or actions according to the Financial Regulations should be taken regarding amounts identified as unrecoverable .
(d) Out of total provision for impairment of annual fee dues, a sum of Rs. 225,471,376 or 91 per cent had represented dues from 700 cancelled projects, 67 closed down projects and 38 operation suspended projects.	- do -	Legal actions to recover the outstanding balances or actions according to the Financial Regulations should be taken regarding amounts identified as unrecoverable.

- (e) A sum of Rs. 1,604,200 receivables from a private company which was the auctioneer of Wathupitiwala Housing Units had remained unrecovered for over eight years and no any evidence was made available to prove the existence of an agreement between the company and the Board. According to the Attorney General, it is stated that the prospective period for filing action has now expired and the BOI might not be successful in pursuing civil action for money recovery against the debtor. However, if an admission in respect of the dues is obtained through police statement or in response to letter of demand, it may be possible to overcome prescription and pursue legal action. Actions should be taken as per Attorney General in a timely manner.
- (f) An outstanding balance of Rs.37,680,103 receivable from government institutions had not been recovered over 4 years. Amount receivable from JEDB would be set-off when JEDB property is released to BOI for a project and even though the BOI has sent reminders to debtors requesting to settle other outstanding amounts they have not responded . Effective actions should be taken to recover the outstanding balances.

### 1.7.2 Payables

----- Audit Observations -----	Comments of the Management -----	Recommendation -----
(a) Sundry creditors aggregating Rs. 5,798,464 had not been settled for over 3 years.	The observation had been noted.	Creditors should be settled within the stipulated time period.
(b) Out of retention money totalling to Rs.49,524,019 an amount of Rs.5,005,395 related to 26 contracts had remained unsettled for more than three years.	Some of retentions will be treated as an income and some of retentions are under approval for payment.	Actions should be taken to release the amounts which can be released and others to treat as income.
(c) Out of receipt in advance aggregating to Rs.234,050,995, a sum of Rs.63,746,513 had remained unsettled for more than three years and an amount of Rs. 60,782,681 received from a private company for acquisition of a land had been included in this amount.	Agreement of Western Automobile (Pvt) Limited has still not been finalized. Hence, the amount received has to be shown under receipts in advance.	Necessary actions should be taken to finalize the agreement.



## 1.8 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 11 of Finance Act, No. 38 of 1971	The Board had invested a sum of Rs. 14,406,337,500 during the year 2018 without getting the approval of the appropriate Minister after obtaining the concurrence of the Minister of Finance.	The approval of the Hon. Minister of Development Strategies and International Trade has been obtained in accordance with Public Enterprises Circular No.02/2018 .	The approval of the appropriate Minister after obtaining the concurrence of the Minister of Finance should be taken.
(b) Financial Regulation 104(3) and 104(4)	The preliminary report relating to 11 vehicle accidents or full report relating to 10 vehicle accidents occurred during the year 2018 had not been submitted by the Board even up to 31 December 2018.	The vehicle accidents were very minor nature and those were occurred due to the faults of other drivers In all possible occasions BOI had made complains to nearest Police Stations.	The preliminary report should be sent immediately if a delay of more than 7 days is envisaged for making a full report and after inquiry, the full report should be submitted within 3 month from the date of loss.
(c ) Section 02 of the Public Enterprise Circular No PED 1/2015 (i) of 27 October 2016	Board had paid a sum of Rs.5,145,435 as drivers' allowance for 25 officers of the Board during the year under review.	This payment was recommended as it is financially and administratively cost beneficial to the Board to pay an allowance to the officers who are assigned vehicles in lieu of employing a driver.	Officers should not be provided with a driver or a driver's allowance.
(d) Public Enterprises Circular No. PED 03/2018 of 07 December 2018,	The Board had paid an amount of Rs. 50,000 or one month salary whichever is higher for the permanent employees and Rs.50, 000 for each of the casual and contract basis employees as annual bonus contrary to the above circular and a sum of Rs. 66,216,152 had been paid as bonus for the year 2018.	Board of Directors has granted approval to pay Rs. 50,000/- or one month's salary whichever is higher for the permanent employees and Rs. 50,000/- for casual & contract employees of the BOI as the bonus for the year 2018.	Board should pay the bonus as per the provisions of the Circular.

## 2. Financial Review

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### 2.1 Financial Result

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The operating result of the year under review amounted to a surplus of Rs. 759,093,091 and the corresponding surplus in the preceding year amounted to Rs.756,424,050 . Therefore an improvement amounting to Rs. 2,669,041 of the financial result was observed. The reasons for the improvement are increase of revenue and finance income by Rs. 177,751,776 and Rs. 7,529,723 respectively as against the increase of total expenses by Rs.182,612,458 with compared to the previous year.

## 3. Operational Review

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### 3.1 Identified Losses

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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Katunayake Export Processing Zone had incurred a sum of Rs. 12,426,186 for disposal of solid waste of the Zone during the year and only a sum of Rs. 4,259,323 had been charged from enterprises. As a result, the Zone had incurred a loss of Rs. 8,166,863 during the year 2018 in connection with disposal of solid waste of the Zone.	Land used for dumping area has been saved and of that about 12 acres have been allocated to some other new investment projects. Accordingly, the implementation of new method of disposal of solid waste had taken the KEPZ to a better position economically as well as environmentally while saving the land resource.	The loss of disposal of solid waste should be minimized while the utilization of lands for investment is maximized.

### 3.2 Management Inefficiencies

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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(a) The internal roads of the Mirijjawila Export Processing Zone constructed by Road Development Authority with a contract sum of Rs. 630,340,562 which handed over to the Board in the year 2016 had been damaged and was in a condition of unusable for	Contract agreement has not been entered with RDA and BOI and according to the directions of the line Ministry, the balance payment had been stopped until a decision is taken after a proper study done by National Building Research	A written agreement should be entered with the contractor before commencing the project.

transportation. An amount of Rs 516,964,285 had been paid by the Board to Road Development Authority and the Board had not entered in to a written agreement with the Road Development Authority.

- (a) Fifty seven premises of Seethawaka, Koggala and Katunayaka Export Processing Zones and Kandy Industrial Park with an extent of 48,868 square feet had been leased out to the external parties for an annual rent of Rs.18,660,234 without entering into written agreements.
- Agreements are in the process of being finalized.
- Agreements should be entered in to without a delay.

### 3.3 Operational Inefficiencies

Audit Observations			Comments of the Management	Recommendation	
The progress of projects implemented under Section 17 of the BOI Law for the year 2018 and four proceeding years are given below.					
Year	Number of Projects for which Agreements Signed  (New agreements and Expansions)	Number of Projects Commenced Commercial Operations (New agreements and Expansions)	Number of Projects Suspended, Closed down or Agreement Cancelled		
			Suspended	Closed	Agreement Cancelled
2018	94	66	10	23	156
2017	103	82	4	6	152
2016	186	83	3	6	79
2015	157	100	2	12	23
2014	160	101	0	11	56

The following observations are made in this connection.

- Number of projects for which agreement signed had

been gradually decreased within the period of 2016-2018.

- A significant decrease in number of projects which commenced the operations during the period from 2014 to 2018 is observed.

In the absence of an attractive incentive package, there was a significant decline in receiving new investment proposals after 2016.

Actions should be taken to increase the number of projects for which agreement signed.

Projects got delayed to start its commercial operation due to various reasons beyond the control of the BOI, as the investor needs to get various approvals prior to commencement of operations. In addition, suspension of tax holidays and introduction of cut-off dates to bring investments by the Inland Revenue Law in 2014 made an ambiguity among investors to proceed with the projects and resulted in delaying commencement of operation of projects in the following years.

Board should introduce a procedure to assist the investors to get the approvals from other authorities.

- Number of projects which agreements cancelled, was greater than the number of projects which operations had been commenced in the year under review.

Agreements of projects which were not implemented and held up for a long period of time without realization of investments

The Board should take actions to reduce the cancellation of agreements and to increase the commencement of projects.

were cancelled. Most the projects were suspended/closed in previous years and agreement cancelled in 2018 as a result of the expedite process.

### 3.4 Transactions of Contentious Nature

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>The Board had reimbursed a land development cost of Rs. 26,100,000 incurred by an investor based on the provisions of Board Paper No. 259/09 of 17 August 2010. However, there was no formal agreement between the Board and the investor in connection with carrying out the development of land by the investor and the reimbursement was made on the request of the investor after completing the development of land.</p>	<p>Reimbursement of cost of land development has been settled in accordance with the Board Decision after scrutinizing the BOQ and other relevant details submitted by the investor after completion of the work. Therefore no contract was there between investor and the Board , and hence contractual agreement had not been signed.</p>	<p>Agreement should be entered in to between the Board and the investor in connection with carrying out the development of land by the investor with setting out development criteria and terms of payment.</p>

### 3.5 Idle or underutilized Property, Plant and Equipment

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>A land at Wathupitiwela Export Processing Zone with an extent of 39.2 perches valued at Rs.6,500,000 with a building of 1738 square feet which is being occupied by an unauthorized outside party over a period of 4 years had been kept idle over a period of ten years. However, the Board had not taken any action to utilize the property in a manner of earning an income to the Board or to evict the unauthorized occupant.</p>	<p>This matter was delayed due to numerous appeals and representations made by the relevant party to higher authorities and BOI will continue with the eviction process in terms of the provisions of the State Lands (Recovery of Possession) Act as per the decision of the Board .</p>	<p>Immediate actions should be taken to evict the unauthorized occupant and to utilize the property in a proper way.</p>

### 3.6 Procurement Management

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<b>Audit Observations</b>	<b>Comments of the Management -</b>	<b>Recommendation</b>
(a) Procurement activities envisaged at least for a period of three years had not been listed in the Master Procurement Plan According to the section 4.2.1 (b) of the Procurement Guidelines 2006 and the Master Procurement Plan had not been regularly updated at intervals not exceeding six months according to Procurement Guideline 4.2.1	Agreed.	The master procurement plan should be adhered to the Government Procurement Guidelines 2006
(b) Forty three procurement activities with an estimated cost of Rs. 559.29 million planned to complete during the year 2018 relating to nine Export Processing Zones and Industrial Parks had not been completed during the year.	The delay occurred due to various reasons.	Procurement activities planned to be completed during the year should be completed as scheduled.

### 3.7 Human Resources Management

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<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(i) 66 Management Assistants - Non-Technical and 106 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.	These employees were recruited to attend essential routine operations of the Board.	The human resources requirements of the Board should be considered in case of recruitment of employees.

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| (ii) Five employees had been assumed for cover up duties of the vacant posts for a period from 06 months to 56 months as at 31 December 2018, contrary to the provisions of the Finance Circular No. 124 of 24 October 1997.   | Arrangements will be made to fill the remaining posts covered on acting basis in due course.                                       | Provisions of the Circular should be followed.   |
| (iii) Three employees of the Board had been released to the Ministry of Development Strategies and International Trade without obtaining proper approval and incurred a sum of Rs. 3,913,277 for the year 2018 contrary to the Section 8.3.9 and 9.4 of the Public Enterprises Circular No. PED 12 dated 02 June 2003. | One employee has been recalled to the Board's service and other two employees have not been released to the Board till 31.12.2018. | Employees should not be released to the line Ministry or any other institution, without the approval of the Cabinet and the Board should not pay any emoluments to the released employee during such period. |

#### 4. **Accountability and Good Governance**

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##### 4.1 **Annual Action Plan**

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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Hundred and eighteen activities with an allocation of Rs.1757.49 million planned to complete during the year according to the Action Plan of the Board for the year 2018 had not been completed as scheduled.	Some of activities have been completed up to date and others are in progress due to various reasons.	Activities planned to complete during the year should be complete as scheduled.

## 4.2 Environmental Issues

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Katunayake , Seethawaka and Wathupitiwela Export Processing Zones were being operated without obtaining the Environment Protection License (EPL) and four enterprises in Katunayake Export Processing Zone were being operated without obtaining Environment Protection License due to non- compliance with the Standards of the Central Environmental Authority.	The Board is taking necessary actions to obtain the Environment Protection License for Zones within a short period. Issuing of EPL for enterprises was on hold due to noncompliance of treated waste water.	The Board should take actions to obtain Environment Protection License for Zones without a delay and the enterprises should be encouraged to comply with the environmental Standards to enable them to obtain Environment Protection License without a delay.