

**1. Financial Statements**

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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 (“Board”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and 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 2021, 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 Board.

#### **1.4 Audit Scope**

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 scepticism 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 Company'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 Company'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 Company 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 Audit Observations on the preparation of Financial Statements

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

Non Compliance with the Management Comment reference to particular Standard	Recommendation
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#### LKAS 16

Although the 08 projects in 05 Zones valued at Rs. 134,775,645 had been completed and handed over to the Board and are also being used, the Board had not capitalized those assets and therefore the capital work-in-progress had been overstated and the property plant and equipment had been understated by that amount in contrary to the Paragraph 7 of Sri Lanka Accounting Standards 16 (LKAS 16). Similarly, the depreciation had been understated by Rs. 4,990,565 and the surplus had been overstated by the same amount in contrary to the Paragraph 43 of LKAS 16 .

Projects in SEPZ, MEPZ have been capitalized in 2022 and Projects in WEPZ to be capitalized. Electricity Connection project in MIEPZ to be capitalized in 2022. Eravur Projects will be capitalized.

Completed projects should be timely identified and capitalized.

## 1.5.2 Accounting Deficiencies

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
<p>(a) The Board had fully impaired the other debtors amounting to Rs.102,138,350 which has a pending litigation even though the case was in favour of the Board.</p>	<p>The Case No. CA/RI/08/2016 filed by BOI, seeking to get released a sum of Rs.102,138,350/- seized by the Commercial High Court from a BOI account for the enforcement of an arbitral award pronounced against the BOI is still being heard. Therefore, a 100% provision has been made since the credit risk is high as the judgement of the Court Case is still pending.</p>	<p>Since the case was in favour of the Board, it should consider the calculation of rate for impairment.</p>
<p>(b) An amount of Rs. 185,178,544 of the Differed Revenue of Land Premium relating to 06 Enterprises which were closed/cancelled its agreements with Board had remained in the account without revising as at 31 December 2021.</p>	<p>The Agreement of an enterprise has been cancelled on 11.06.2021 &amp; it would be adjusted in year 2022. All the Enterprises have failed to implement the respective projects due to various reasons. Hence adjustments would be made in year 2022.</p>	<p>Differed Revenue of Land Premium should be carefully reviewed and required adjustments to be made where necessary.</p>
<p>(c) The depreciation and the accumulated depreciation relating to the administration building of Horana Export Processing Zone amounting to Rs.543,096 and Rs.2,926,681 respectively had been understated.</p>	<p>Noted.</p>	<p>Assets should be accurately depreciated.</p>
<p>(d) A sum of Rs. 3,464,665, had been credited to receipt in advance account relating to collection of income for the transfer of housing projects during the period of 2012- 2018 and it had been credited as miscellaneous income for the</p>	<p>These amounts have been identified in year 2021 as payments in excess &amp; transferred to the income account in year 2021. It is not an income pertaining to a previous year, whereas it has been identified in year 2021 as</p>	<p>Income should be identified to the relevant year and accounted for.</p>

year 2021 without being considered as a prior year adjustment. an amount which can be treated as an income.

- (e) A sum of Rs.3,782,236 credited to receipt in advance account relating to ground rent, land premium and annual fee during the year 2015-2019 had been accounted for as a miscellaneous income of the year 2021 without being considered as a prior year adjustment. These are excess payments done by various enterprises during the last few years which have been identified in year 2021 & considered as income in the same year. Income should be identified to the relevant year and accounted for.
- (f) A refundable deposit amounting to Rs. 2,855,264 relating to a terminated company in the year 2011 had been taken into the income statement in the year under review without being considered as a prior year adjustment. The refundable deposit of Rs. 2,855,264 paid in year 2003 by an enterprise was credited to the revenue in the year 2021 since it has remained without being refunded and the Agreement had been terminated in year 2011. Income should be identified to the relevant year and accounted for.
- (g) A sum of Rs.2,580,365 received for a land of an enterprise in November 2007 had been credited to the deposit against compensation account at that time and this amount had been accounted for as a miscellaneous income of the year 2021 without being considered as a prior year adjustment. Noted. Income should be identified to the relevant year and accounted for.
- (h) An extent of 3.96 acres of land transferred to the Board as a free grant by the Government on 29 March 2018 had not been valued and taken into accounts as at 31 December 2021. The ownership of this land in extent of 3.96 acres was transferred to BOI as a Free Grant on 29.03.2018. Government Valuation was obtained for the purpose of leasing the land to the investor. However, the undeveloped land value was not provided in the said valuation. Assets should be accurately identified and accounted for.

- (i) The roads of Mirijjawila Export Processing Zone valued at Rs.516,964,285 included in the Capital Work- In- Progress (CWIP) had not been transferred to structures in property plant and equipment even though the Project was completed in December 2017. Hence, the depreciation had been understated by Rs.25,848,214 for each year since 2017. Further, the balance payable to the Road Development Authority amounting to Rs.130,383,717 had not been taken into accounts as at 31 December 2021.
- Final payment of the contract has not been made to Road Development Authority due to contract disputes. This matter has been reviewed in the past and the cost of the road could be capitalized only after the disputes are resolved. This will be further reviewed in detail during the financial year 2022.
- The contract dispute should be resolved immediately and accurately accounted for.

## 1.6 Accounts Receivable and Payable

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### 1.6.1 Receivables

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Audit Issue	Management Comment	Recommendation
<p>(a) A company had signed an agreement in 2018 and defaulted its ground rent amounting to Rs.97,788,426 since the inception. The Board had made a 100 per cent impairment against the aforesaid balance without making any effort to obtain the dues from the Company.</p>	<p>The Company has defaulted the payment of Ground Rent by challenging that the BOI has still failed to discharge its obligations in terms of the Agreement and that they would make the due payment of Ground Rent only after the preconditions are fulfilled. Hence, considering the high credit risk BOI has made a 100% provision for impairment.</p>	<p>Actions should be taken to recover the ground rent.</p>
<p>(b) The dues from Board approved enterprises as at December 2021 was Rs.737,308,534 and out of that a sum of Rs. 170,396,676 or 23 per cent had remained for more than 04 years. The provision for impairment on dues was Rs.418,846,474 and it had represented 57 per cent of total dues as at 31 December 2021 .</p>	<p>An impairment loss is recognized whenever the carrying amount of an assets or its cash generating units exceed its recoverable amount. Impairment losses are recognized in the Income Statement.</p>	<p>Actions should be taken to recover the dues.</p>
<p>(c) Within the balance of staff loan and advances amounting to Rs.776,797,006, there was a sum of Rs.1,222,035 receivable from 25 officers who had been interdicted, vacated on post and stop payment for more than 04 years as at 31 December 2021.</p>	<p>Accordingly, recovery actions have already been taken with regard to the cases highlighted in the query as above and are in progress at present.</p>	<p>Actions should be taken to recover the staff loan and advances.</p>

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
<b>(a) Financial Regulation of Democratic Socialist Republic of Sri Lanka</b>			
(i) Financial Regulation 103,104 and 1642	Reporting to police and carrying out preliminary investigations had not been carried out on 15 vehicle accidents occurred in the year 2021.	The BOI will fully adopt the procedure stipulated in the given Financial Regulation with regard to vehicle accidents in future.	It should adhere with Financial Regulations.
(ii) Financial Regulation 110	A register for losses and damages had not been properly maintained.	A comprehensive record will be maintained.	The register should be maintained in accordance with Financial Regulations.
<b>(b) Department of Public Enterprises Circulars</b>			
(i) No.95 of 14 June 1994	A number of 10 allowances amounting to Rs. 666,716,143 and 13 loan and welfare schemes amounting to Rs.420,800,245 had been implemented during the year under review without obtaining approval of Treasury	We have submitted this matter to Department of Management Services by letter dated 24.07.2020 and requested the approval for the allowances being paid to the employees of the BOI, but their decision is pending to-date.	Required approval should be obtained.
(ii) Section 3.1 of No. PED/2015	<ul style="list-style-type: none"> <li>Contrary to the Circular, the fuel limits had been</li> </ul>	The given fact is correct. The Board of Directors has decided the fuel	Circular provisions should be followed.



dated 25 May 2015, PED/2015 (i) dated 26 October 2016 and Section 1.2 of PED 01/2020 dated 27 January 2020

changed as follows. Chairman – As required Director General- 300 litres Executive Director- 170 litres Directors – 140 litres

limits for senior officers by critically analyzing the extensive travel requirements (visit to zones, meetings, site inspections, conferences etc.) of senior officers of the BOI.

- Contrary to the Circular, a monthly driver allowance of Rs.35,000 totalled to Rs. 11,134,215 had been paid for 33 officers to whom entitled for an official vehicle. In the year 2003, the Board of Directors of the BOI has decided to pay Rs.15,000/- monthly allowances for a hired Driver in lieu of a BOI Driver. Since this payment prevailed at the same rate for 15 years, the Board has decided to increase the rate in the year 2020. Circular Provisions should be followed.

- (iii) PED/12 dated 02 June 2003
- Section 9.3.1
- Nine officers were recruited to establish a “special unit” during the year under review without considering provisions in the Scheme of Recruitment and the salaries of them had been advertised as “Salary is Negotiable”
- Since the primary objective of establishing a Special Unit within the BOI was attracting high caliber professionals and in line with industry recruitment practices, the paper advertisement published to recruit staff to the Special Unit indicates that the remuneration is negotiable and on par with market rates, also implying the salary and other benefit package on offer for the appointees of these posts were higher than that of the government sector. It should adhere to the conditions in Scheme of Recruitment.

- Section 9.3.1 (viii) It was not revealed to Management is of the Circular Provisions should be followed. audit that the BOI had view the succession plan should be prepared by a professional body or an individual with experience and special expertise in the particular area. Accordingly, the process of preparing a Succession Plan is in progress.

**(c) Department of Management Services Circulars**

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<p>Section 14.1 of No. 02/2016 dated 25 April 2016</p>	<p>A sum of Rs.10,704,620 had been paid as special allowance to 242 officers in 21 Tertiary Level posts which is not entitled to be paid .</p>	<p>Executive category of the Board was started from the post of Executive Assistant in 1978 and they were entitled to all the rights of executives and recognized as executive of the Board. However, at the salary restructuring in 2006 under Management Services Circular no. 30 and 30(1) said Executive Assistants were placed under Junior Manager (JM) category despite their career as executives in the Board as well as the practice followed in the Board over a period more than 25 years. The respective payments were being made over a period of two (02) years at the time of issuing said Management Services Circular.</p>	<p>Circular Provisions should be followed.</p>
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## 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 surplus of Rs. 1,363,405,054 and the surplus in the preceding year amounted to Rs. 886,892,760. Therefore, an improvement amounting to Rs. 476,512,294 of the financial result was observed. The reasons for the improvement are increase of revenue and finance income by Rs. 659,882,294 and Rs. 8,186,971 respectively as against the increase of total operating expenses by Rs.197,316,297 with compared to the previous year.

## 3. Operational Review

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### 3.1 Management Inefficiencies

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Audit Issue	Management Comment	Recommendation
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(a) The general projects and special projects valued at Rs.568,142,375 and Rs.224,192,401 respectively represented 63.6 per cent and 91 per cent of the each total Capital Work-In-Progress, had remained unchanged for more than 4 years without taking actions to complete.	The remaining balances will be reviewed in detail for suitable action to adjust amounts in the current financial year except for two projects.	Projects should be completed in due time and capitalized accordingly.
(b) The Board had rented out 02 floors of Head Office building to 03 Ministries and the Zone buildings to external parties. The following observations were made.		
(i) Even though the 40 external parties including a State Ministry are using 43,931.59 square feet of Board Head Office building and Zone premises for a Rs. 16,446,233 per month, agreements had not been entered into.	The Ministry of Batik, Handloom Textile & Local Apparel Productions utilize a floor area of 3800 sq.ft. and has not signed the lease agreement but settled the monthly rent regularly. The status of the Zonal buildings rented out to external parties are given.	Agreements should be entered into.

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| <p><b>(ii)</b> Due to failure to send invoices to two Ministries on time, a total rent of Rs.13,466,838 could not be collected and a sum of Rs.4,934,018 had not been recovered from a State Ministry since August 2020.</p>  | <p>The Ministries were informed to sign the Lease Agreements with BOI.</p> <p>The State Ministry of Aviation &amp; Export Zone Development has paid the rent up to March 2022.</p> <p>At present, only a sum of Rs. 1,000,000/- is due in respect of the year 2021 from the Ministry of Tourism.</p>  | <p>The invoices should be issued in due time.</p>  |
| <p><b>(c)</b> Although the agreed value as per the agreement was Rs 4,180,000 for the preparation of the Environmental Impact Study Report with the Institute of Industrial Technology, due to the impracticality of releasing of purified waste water thorough Karaban oya Bingiriya, a new proposal had been introduced with expanding the scope of the study and the Board had to incur an additional cost of Rs.1,652,500 for that.</p> | <p>The original proposal was to accommodate only dry based industries (no industrial effluent generation) and to manage sewage and domestic wastewater by disposal into “Karaban Oya”, after required treatment. However, due to two reasons required extra studies in the fields of water, wastewater, hazardous waste and in air emissions. Additional measurements were carried out in noise/vibration levels too.</p> | <p>The variance of the excess expenditure is 47 per cent and therefore the estimates should be prepared as accurate as possible.</p>   |
| <p><b>(d)</b> An amount of Rs. 1,144,695 payable for more than 03 years had been credited to miscellaneous income without collecting information from 07 suppliers and the approval of the Board of Directors during the year 2021.</p>   | <p>As per the directives of the Audit Committee, the balances which have remained without being claimed for over three years were reviewed and the unclaimed amounts were transferred to the income account in year 2021.</p>   | <p>The evidences should be available to ascertain the efforts made to be paid and the prior approval of the Board of Directors should be obtained for such transactions.</p> |
| <p><b>(e)</b> As per the information provided by each Zone, the extent of the Industrial Area which is held for investments was not tally with the extent of the investment property produced by the Finance Division and a net difference of 627.5 acres were observed</p>   | <p>A reconciliation is submitted.</p>   | <p>This should be reconciled and the extent should be same in Zones and the Finance Division.</p>  |

as at 31 December 2021. Therefore, the accuracy of number of lands in extent and the value of it was not revealed in audit.

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| <p>(f) Although the land of 2 acres in extent and 3906 sq. meters building at Malwatta Zone had been released in the year 2012 to a company, an agreement had not been entered into and therefore, the ground rent, land premium, water and waste water charges amounting to Rs. 24.1 Mn. could not be recovered since 2014.</p> | <p>BOI had informed the investor to enter into an agreement with BOI, but the investor had not done the same.</p> | <p>Matters should be resolved and actions should be taken to recover charges by entering into agreements.</p> |
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### 3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) Although the then Ministry of the Board had granted Rs.1988 Million to commence an Export Processing Zone in Milleniya in 2017,2018 and 2019, it had not been commenced even by the end of the year under review.</p>	<p><u>Milleniya EPZ</u> Lessee of the land has filed a case against Ministry to prevent acquisition of land on 24.05.2019 which is still unsettled. Hence providing on site infrastructure facilities for Milleniya zone was temporarily suspended since 24.05.2019.</p> <p><u>Bingiriya EPZ</u> One enterprise is in commercial operation and other two enterprises are under construction and progressing well.</p>	<p>Actions should be taken to implement as planned in Corporate Plan.</p>
<p>(b) The Board had paid Rs. 4,384,440 during the year under review for the supply of water to Wathupitiwala Zone through water bowsers due to the</p>	<p>Water demand of WEPZ is approximately 1400m<sup>3</sup> per day. There are no reliable water sources close to the zone to implement a new</p>	<p>Arrangements should be made to obtain water from the NWS&amp;DB as the hiring charges</p>

actions had not been taken to supply water in timely manner through National Water Supply and Drainage Board (NWS&DB).

(c) The number of enterprises which had signed agreements as at 31 December 2021 in 14 Zones of the Board was 740 since the inception and the number of closed, suspended or agreement cancelled enterprises was 440 as at the end of the year under review. Therefore, only 285 enterprises have been functioning by the end of the year under review since inception.

Water Supply scheme.

It is to be noted that, the 440-agreement cancelled, closed or operation suspended projects mentioned above, span for 43 years from inception to date (1978-2021). Also, this list of 440 projects include 86 projects that have either merged with another company or takeovers which means they are technically operative. Reasons for balance 354 agreement cancelled, closed or operation suspended projects includes non-compliance with the agreement, lack of orders, financial constraints, liquidation of companies most of which are beyond the facilitation limits of BOI.

for bowsers is a significant amount.

As the No. of closed, suspended or agreement cancelled enterprises were nearly 50 per cent , it should be pre-reviewed and take remedial actions to minimize.

(d) The progress of the Foreign Direct Investments (FDI) during past three years as compared to the year under review were as follows.

<b>Year</b>	<b>Annual Target as per Corporate Plan (USD Mn.)</b>	<b>Actual Achievement (USD Mn.)</b>	<b>Actual Achievement as a percentage of Annual Target (%)</b>
2021	1,100 - 1,300	780	60
2020	5,000	687	14

Considering the adverse impact to the investment environment during 2019 (Easter Sunday Attack and 2020 (COVID pandemic) the set target under the normal scenario for 2020 was revised from July to December period and the new target set for 2020 was to US\$ 0.9 - 1.1 Mn. Considering the continued impact of COVID pandemic, the FDI target for 2021 was set as US\$ 1.1 to 1.3Mn.

The Board should set strategies to attract FDI's and to achieve targets.

2019	3,000	1,189	40
2018	2,500	2,367	95

It was observed that, although the expected target for the year 2021 had reduced by 74 per cent as compared to the year 2020, the actual progress had been USD 780 Million only as at 31 December 2021.

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

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
The total acres of land belonging to the 14 Zones of the Board from year 1983 up to 31 December 2021 was 4045 acres and out that 721.5 acres of land were in vacant without being utilized.	BOI is continuously taking the steps to promote the vacant lands among the investors based on the advantages, giving priority to drawing attention of potential investors with maximum investment quantum and export orientation to utilizing BOI Zonal land for investment activities in order to gain a maximum benefit/return:	Vacant Lands should be utilized in optimal.

### 3.4 Delays in Projects or Capital Work

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Although the installation of Integrated Accounting Software System had to be completed in April 2019, it had not yet been completed and an additional expense of Rs. 3,750,000 had to be incurred as at 31 December 2021.	Even though it was planned to complete the ERP Implementation within a period of 9 months according to the original Project Implementation Plan, the project milestones could not be completed as planned, due to the complexity of the ERP solution expected by the BOI, and the impact of the outbreak of COVID-19 pandemic in 2020 and 2021.	The project should be completed successfully in due time.

(b) The construction contract of chain-link fence along western boundary of the Bingiriya Zone had been awarded on 29 April 2019 for a cost of Rs.32,087,075 notifying the construction period was 4 months. Although a sum of Rs.31,814,285 had been spent and the project had been handed over to the Board with a delay of 20 months, it was observed at physical test check that the construction of the fence was not completed at several areas and not properly maintained. Although it had been planned to build the Eastern Boundary in the year 2019, even the procurement procedure were not commenced and therefore, the safeguard of the land which was the objective of the project had not been achieved.

The task of acquisition of the paddy lands is still in progress. Fence construction cannot be completed until the paddy lands & public road diversion is completed by RDA. Remaining fence construction in the eastern boundary still cannot be started due to the matters related to paddy land acquisition which is still in progress. Until the bypass road construction work is completed by RDA, it is not possible to close the public road which is originally located through the Bingiriya Zone - Phase I.

The project should be completed as planned to get value for money.

### 3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>(a) The approved cadre of the Board was 1,299 and the actual cadre was 1253. The number of vacancies were 128 and the excess staff was 82 including 07 contract basis positions. However, 09 officials recruited as ‘Special Team’ was not included in the actual cadre. Further, the total personnel cost of the Board was Rs. 2091.8 Million for the year under</p>	<p>Arrangements were made to fill 67 vacancies during the first 04 months of 2022. However, all the recruitments have been temporarily suspended in accordance with the instructions of National Budget Circular No. 03/2022 dated 26.04.2022 issued by the Ministry of Finance. All the excess employees in the Management Assistant and</p>	<p>Approval of the Department of Public Enterprises should be taken for the approved staff</p>



review and it represents 62 per cent of the total cost.

Primary level are Casual/ Contract basis employees who were absorbed in to the permanent cadre on 01.09.2019 as per the Public Administration Circular No. 29/2019 dated 18.09.2019.

(b) The approval of the Cabinet of Ministers had been granted on 25.03.2021 to recruit 29 professionals to the Board under enhance the capacities of Key Regulators and State Enterprises. In this regard, 09 professionals were recruited on 03 year contract basis during the year under review in contrary to the Scheme of Recruitment and the limit of cadre positions and without considering the existing salary scales and recognizing specific outcome from each position.

The Cabinet of Ministers has granted approval by their decision dated 23.03.2021 to implement a restructuring plan of BOI establishing a new unit with a team of 29 specialized personnel at salary ranges approved by the Cabinet and said salary ranges were in line with the market rates..

Recruitments should be done in accordance with Scheme of Recruitment.

#### 4. Accountability and Good Governance

##### 4.1 Annual Report

Audit Issue	Management Comment	Recommendation
<p>Although the final audited accounts together with the Auditors Report, in all three languages, should be tabled in Parliament within 150 days after the closure of the financial year as per the Section 6.5.3 of the Public Enterprises Circular No. PED 12 of 02 June 2003, the Annual Report for the year 2020 had not been tabled in Parliament even as at 20 May 2022.</p>	<p>Because of the report of the Auditor General was received on 29<sup>th</sup> July 2021 and the Sinhala and Tamil translations of Annual Report was done thereafter and Management of the BOI has been changed &amp; that caused delay in finalizing the report. The Annual Report 2020 will be submitted for Cabinet Approval through the new Line Ministry (Ministry of Finance, Economic</p>	<p>Actions should be taken in accordance with circular provisions.</p>

**4.2 Corporate Plan**

Audit Issue	Management Comment	Recommendation
<p>(a) Although the updated copies of Corporate Plan approved by the Board of Directors together with updated Annual Budget should be forwarded to the Auditor General at least 15 days before the commencement of each financial year as per the Section 5.1.1 of Public Enterprises Circular No. PED 12 of 02 June 2003, the Board had forwarded its Corporate Plan to the Auditor General on 07 July 2021 delaying approximately 07 months from the commencement of financial year 2021.</p>	<p>Due to changes in the management and the structural changes planned and implemented from time to time in the BOI during the period from 2020 - 2021, the completion of the Corporate Plan 2021 was delayed until the Board approval for the same was obtained on 1<sup>st</sup> June 2021.</p>	<p>A Corporate Plan should be prepared in a manner of achieving the objectives of the Board as per Circular Provisions.</p>
<p>(b) As per the Section 5.1.1 of PED /12 circular, a Corporate Plan should be a rolling plan effective for a period of not less than three years, the Board had prepared a Corporate Plan only for the year 2021. Further, the salient features of a Corporate Plan such as the current resources available to the enterprise, Organizational Structure, SWOT analysis, and a review of the preceding three years operating results had not been included in the Corporate Plan prepared for the year 2021.</p>	<p>Due to the pandemic situation existed in 2020 which continued in 2021, it was unable to predict the global and local investment climate changes resulting difficulty in setting long term targets for BOI. Hence, as an interim measure, the Corporate Plan was confined only to the year 2021.</p>	<p>It should adhere to the circular provisions in a manner of achieving the objectives of the Board.</p>

### 4.3 Annual Action Plan

Audit Issue	Management Comment	Recommendation
<p>(a) The Action Plan of the year under review had been prepared and forwarded to Auditor General on 15 September 2021 delaying approximately 09 months from the commencement of financial year 2021 and it was not in accordance with the Corporate Plan prepared for the year 2021.</p>	<p>Due to the structural changes planned and implemented from time to time by the then management in the BOI, the completion of the Action Plan 2021 was delayed until mid-July.</p>	<p>It should adhere to the circular provisions in a manner of achieving the objectives of the Board.</p>
<p>(b) When comparing the Action Plan – 2021 with its Progress Report , the following matters were observed.</p>		
<ul style="list-style-type: none"> <li>• A number of 73 activities had not been executed entirely and 5 activities in the Progress Report were not included in the Action Plan – 2021.</li> </ul>	<p>Due to the prevailing situation of the country, some of the activities identified in the Action Plan 2021 could not be completed within the specified period.</p>	<p>Activities in Action Plan should be implemented and new activities should be included in a Revised Action Plan approved by the Board.</p>
<ul style="list-style-type: none"> <li>• It was observed that the 04 activities which had done with Non - BOI funds (from certain Ministries) were included in the Action Plan 2021 and its Progress with the Budgetary allocation for the year 2021 even though the execution of such activities were carried out by the External parties and such activities had not been completed or not even continuing since the year 2020.</li> </ul>	<p>Activities carried out by external parties with external funds and have been mistakenly included in BOI Action Plan and action will be taken to avoid recurrence of this in future.</p>	<p>Accurate information should be indicated.</p>