

Employees' Trust Fund Board - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the consolidated financial statements of the Employees' Trust Fund Board ("Board") and of the Board and its Subsidiary ("Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and statement of comprehensive 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 reported 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 and the Group 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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance 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 Audit Scope (Auditor's Responsibility for the Audit of the Financial Statements)

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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund 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 in relation to the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Audit Observation	Comments of the Management	Recommendation
Even though the useful life and the depreciation method of non-current assets should be reviewed annually in terms of Section 51 and 61 of Sri Lanka Accounting Standard No. 16, the Board had not taken action accordingly. Although the assets, which costed at Rs. 54.48 million out of the non-current assets of the Board as at 31 December 2021, have further been depreciated under the diminishing balance method for over 20 years, action had not been taken to rectify the estimated error, occurred as a result of not reviewing the useful life and method of depreciation of those assets accurately subsequent to identifying the assets that are further being used, in accordance with Sri Lanka Accounting Standard No. 08 and to appropriately dispose of the assets that are not being used further.	It is expected to change the depreciation policy of the fixed assets of the Board from the diminishing balance method to the straight-line method by the fixed assets policy scheduled to be introduced in the future, and thereafter, such errors will not occur. Moreover, we will take action to disclose the assets that are in use according to the requirement although they have been fully depreciated according to paragraph 79 of Sri Lanka Accounting Standard No. 16.	The assets should be revalued and necessary adjustments should be made in the financial statements.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
Contributions totalling to Rs.862.78 million as at 31 December 2021, charged in relation to 4761 employers in the period of 1981 to 2020 by the Board had been retained in other temporary accounts without being credited to the personal accounts of the respective members in accordance with Section 16 of the Employees' Trust Fund Board Act. It was observed that problematic situation would arise for the members when they get back their contributions.	<p>Rs.189 million out of these contributions were credited to each member's account by 20 June 2022. Accordingly, Rs. 645 million that has been further recovered from 3722 employers should be credited to the accounts of each member by 20 June 2022.</p> <p>In addition to this, the unverified/unidentified money credited to the bank accounts maintained by our Board for banking the contributions are credited to a suspense account and the balance of the suspense account has reduced up to Rs.16.24 million as at 31 May 2022.</p>	Improving the method of charging members' amounts in a manner that it is possible to accurately and expeditiously identify the members, to whom contributions should be credited and necessary arrangements should be made to expedite the identification of unidentified members' amounts.

1.6 Receivables and Payables

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a) Three thousand three hundred and sixty (3360) cases had been filed all over the island for the collection of arrears of contributions and surcharges amounting to Rs.315.76 million to be received to the members of the Board. the number of cases that should be activated and open warrants out of those cases had been 1070 and the amount to be recovered in relation to those cases was Rs. 44.70 million. Thus, it was observed that there is a risk for the members to lose their contributions due to the delay in recovering the outstanding contributions and surcharges.	These cases are not permanently inactive and the necessary forward steps have been promptly taken and the cases are called in the open court and the proper legal methodology is followed to recover the related arrears in accordance with the instructions given by the respective Courts regarding those cases. Copies of the warrants will be obtained by the Plaintiff from the relevant Courts and necessary steps will be taken to execute the warrants promptly in relation to the cases where open warrants have been issued.	Action should be taken to recover the receivables to confirm the entitlement of the members.
(b) An amount of Rs. 9.39 million to be further received out of the debenture	Several letters have been sent to the relevant company to pay these	Follow-up activities should be carried out.

interest that should have been received from Elkaduwa Plantation Ltd. for many years had not been recovered even by 31 December 2021.

arrears amounts and the last letter has been sent on 06 January 2022. They say that the Company is in a financial crisis due to the Covid situation.

- (c) An amount of Rs. 12.17 million invested in promissory notes and Rs. 7.45 million invested in debentures of Vanik Company which is currently being liquidated should have been realized in the years 2002 and 2007 respectively. Furthermore, the interest income to be recovered from the investment in debentures of Vanik Company until 31 December 2006 had been Rs.15.21 million and the interest income to be recovered from the investment in promissory notes had been Rs. 367,724. Even though legal measures had been taken to recover the money, the Board could not recover the amounts even by 31 December 2021.

The Court had ordered to appoint a liquidator on the request made by a third party to liquidate this company. The activities have not yet been finished.

Follow-up activities should be carried out.

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

References to Laws, Rules and Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Shop and Office Employees Act No. 19 of 1954	Although one and a half times of the average wage per hour should be paid for one overtime hour in the payment of overtime, the Board had paid overtime by paying one and a half hours for one hour of overtime and by adding one day's pay when work for 8 hours is completed on Saturdays / Sundays. Accordingly, the overtime cost of the Board during the year under review had been Rs. 20,455,000. Furthermore, the officers of the Board are required to work five and a half days per week and only 21 days of annual leave had been allowed in terms of the Act. However, in contrary to that, the officers of the Board were allowed to take 42 annual leave and to work only for 5 days per week.	The employees of the Board have been paid for overtime since the year 1988 according to the provisions of the Shops and Office Employees Act. In addition, A day's salary is also paid on the completion of 8 hours in a holiday, in addition to the amount of overtime. As this privilege has been enjoyed for a long time, it has become difficult for the present Management to change it. If this privilege is removed, there may be employee unrest and the industrial peace of the Organization may be disturbed. Also, the employees have been given an amount of 42 annual leaves for some time, which has been done according to other corporations and boards.	As an organization operating under the Shops and Office Employees Act, overtime and holidays should be dealt with in accordance with the provisions of that Act.
(b) Section 9.14.2 of Public Enterprises Circular No. PED/12 dated 02 June 2003	The current Financial and Administrative Procedures Manual of the Board had not been submitted to the Treasury and the approval of the Treasury had not been obtained for that.	Since the Board is a Statutory Body, the provisions stipulated in the Financial Regulations should be applied in the same manner in the financial transactions. However, an internally developed Financial Procedures Manual has been formulated for the ease in carrying out operations and it is merely used as a set of instructions and it is not used as a legal document. Nevertheless, the approval of	Arrangements should be made to obtain the approval of the Treasury.

the Audit Committee and the Board of Directors had been obtained for the Financial Procedures Manual of the Board and it had been submitted to the Treasury for approval.

- | | | | | |
|-----|---|---|---|---|
| (c) | Public Enterprises Circular No. 95 dated 14 June 1994 and Public Finance Circular No. PF/PE 5 dated 11 January 2000 | Although additional allowances, incentives and other types of financial benefits should not be paid to the staff without the proper approval of the Treasury, the Board had paid in the year 2021 a total of Rs.130.93 million comprised of Rs.23.77 million as allowances for leave saved, Rs.96.48 million as medical expenses reimbursements, and Rs.10.68 million as housing loan reimbursements to the staff without obtaining the due approval of the Treasury. | Since the saved leave is a long-enjoyed privilege and the present Management found it difficult to remove that as it may lead to employee unrest. It was discussed at meeting of the Audit Committee that the Medical Expenses Scheme has been started since 1991 and since the reimbursement of medical expenses is done with the contribution of the employee, the approval of the Treasury is not required for that. It is expected to send a letter to obtain the approval for the reimbursement of the housing loan. | As per the provisions of the Circular, approval of the General Treasury should be obtained for all the allowance schemes. |
| (d) | FR 1645 and 1647 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka | Although the log books and daily running charts related to the vehicles owned by the Board should be maintained in an updated manner with necessary information, the log books and daily running charts of the Board had not been maintained in an updated manner. Furthermore, a daily running chart should be maintained as per Form General 268 and a running chart indicating the distance travelled, the number of kilometres recorded per one litre of fuel, the value of the starting and ending milometers, the number of kilometres etc. should be | At present, the Board is using running chart books prepared by the Board, and action has been taken to request the approval of the Management to use Government approved common running chart books in the future. However, the start meter, the end meter and the distance run are mentioned in the running chart books that we use. Furthermore, it is expected to take necessary measures to keep records regarding the vehicles of the officers in the future. | Action should be taken in terms of the Financial Regulations. |

balanced daily. However, such balancing had not been done in daily running chart books used by the Board. Although the officers in charge of vehicles are supposed to keep a register showing the information about the motor vehicles in their charge, such a register had not been maintained.

- (e) Paragraph 3.1 of Public Administration Circular 30/2016 dated 29 December 2016
- Even though the consumption of fuel must be re-tested after a period of 12 months from each fuel test or after running a distance of 25,000 km or after carrying out a major repair to the engine, whichever occurs first, evidences were not observed during the audit that action had been taken accordingly in the years 2020 and 2021 in respect of vehicles owned by the Board. Moreover, it was not observed that a record was maintained regarding the fuel used in the vehicle according to paragraph 3.3 of the said Circular.
- It was not possible to maintain the Office in the year 2021 to get reports on fuel used due to the Corona pandemic situation that affected the whole world. The approval to obtain reports on fuel used for the vehicles of our Board for the year 2022 was obtained on 10 February 2022 and the tests have to be postponed due to the current shortage of fuel.
- A test on fuel used should be carried out as per the Circular.
- (f) Letter No. PE/IN/ETF/Gen dated 10 November 2014 from the Minister of Finance and Planning
- Instances of granting housing loans up to Rs. 02 million by the Board at the interest rate of 4 percent to the staff also in the year 2021 were observed even though the Board had agreed to provide housing loans to the staff at an interest rate of 4.2 percent under the housing loan scheme jointly implemented with the State Mortgage and Investment Bank.
- A new Agreement effective from 21 May 2021 has been entered into with the Bank in relation to the provision of housing loan. According to the Agreement, an interest of 4.2 percent will be charged for the first 2 million and 7 percent will be charged for the remaining million. Accordingly, I would like to inform that all the deficiencies in this scheme have been rectified by the new agreement.
- Interest should be charged for housing loans as per the Agreement of the Ministry of Finance.

1.8 Cash Management

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
As per the Agreement entered in to with the Bank for the staff housing loan scheme implemented jointly with the State Mortgage and Investment Bank, the principal amount and interest amount recovered from the employees should be remitted to the Board once in every 03 months. However, on the contrary, it was observed at the audit that the Bank had indicated the amounts by adding the amounts to the balance of the deposit account at the end of the financial year. Due to that, it was also observed that the Board will not derive any benefit from the money and interest money collected during the year and that money cannot be used in any other source of investment. Accordingly, the Board had not derived any benefits from the recovery of loans amounting to Rs.30.11 million and from the recovery of interest amounting to Rs.6.68 million in the year 2021.	Although the State Mortgage and Investment Bank has been informed from time to time, the said loan recovered has not been remitted to the Board once in every 03 months. According to the new Agreement effective from 21 May 2021, arrangements have been made to formally carry out the recovery once in every 03 months.	Action should be taken in compliance with the Agreement.

2. Financial Review

2.1 Financial Results

According to the consolidated financial statements presented, the financial result of the Group for the year under review was Rs.28,595 million and the financial result of the Board was a profit of Rs.28,569 million and the corresponding profit of the Group and the Board of the previous year was Rs.28,017 million and Rs.28,007 million respectively. Accordingly, the financial result of the Group and the Board had grown by Rs. 578 million and Rs. 562 million respectively. The increase in the interest income of the Board by Rs.698 million in the year under review was the major reason for the improvement in the above financial results.

3. Operational Review

3.1 Management Inefficiencies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
(a) The distributable profit for the members of the Board had gradually increased from Rs.15,346 million to Rs.32,663 million when compared from 2015 to 2021. Although 9 percent of benefits had been provided to members in 2015, it had been reduced to 8 percent by	The percentage of benefits given to members has shown a continuous decrease from 9 percent to 7.25 percent during this period based on the policy decision taken by the Government. The earnings of the Board have also taken a	Since it is a Fund made up with the contributions of the members, action should be taken to provide higher returns to the

2019 and it had further reduced to 7.25 percent by 2021.

proportionally lower value as a result of reducing the policy interest rates. The productivity of annual earnings of the Board fluctuates annually as fiscal policies directly affect the earnings of the Board.

members.

(b) Various welfare services are provided to the members of the Board and the maximum value of financial aid offered to a member under each of those welfare services had not been upgraded after a period of 11 to 5 years and the Management had not focused its attention on upgrading those values. Although the programmes to be implemented to make the members aware of the aforesaid member benefits introduced by the Board had been included in the action plan of the year 2021, those programmes had not been implemented during the year. Furthermore, it was observed that the expenditure incurred on promotions had been continuously decreased.

The welfare benefits provided by the Board to the members are non-contributory type benefits. Therefore, it is not prudent to expand these welfare benefits to a volume that the overall Fund of the Board cannot sustain. However, the attention of the Board of Directors has been focused on the revision of the financial value of the welfare benefits currently provided by considering the current situation and the basic concepts required to introduce some new welfare benefits are also being developed.

Since it is a Fund made up with the contributions of the members, action should be taken to provide higher returns to the members.

(c) A maximum of Rs.50,000 has been provided to a member for the reimbursement of medical expenses during his lifetime under the Shramasuwa insurance scheme provided for members, and the Management had not focused its attention on increasing this maximum for more than 12 years. However, while the staff of the Board had also been covered by the said insurance scheme, action had been taken to increase the medical expenses reimbursement allowance per year for treatments after hospitalization from Rs.75,000 up to Rs.100,000 and medical expenses reimbursement allowance per year for treatments without hospitalization from Rs.40,000 up to Rs.60,000 in 2018 under the medical expenses reimbursement scheme provided to the staff of the

The staff of the Board was about 850, and the membership is about 2.8 million. Accordingly, the Board of Directors has given its approval for the proposal submitted by the trade union functioning in the Board to increase the medical expenses reimbursement allowance given to the employees from the year 2018. Since the revision of the amount given under the Shramasuwa insurance system is related to all the 2.8 million active members, the decision taken in this regard may be a strong decision that may influence even the financial situation of the Board.

Since it is a Fund made up with the contributions of the members, action should be taken to provide an optimum returns to the members.

Board even without obtaining the due approval of the General Treasury. Accordingly, the cost of medical assistance was Rs.11.84 million under the Shramasuva insurance scheme, while the cost of the reimbursement of medical expenses of the staff was Rs.96.48 million.

- (d) After the revision of the monthly contribution charged for one of each member / spouse and every dependent as Rs.30 by the Administrative and Human Resources Circular No. 10/2011 for the medical assistance scheme implemented for the staff of the Board, the amount had not been revised for 10 years. The reimbursement cost of medical bills for the year 2021 was Rs.97.98 million and the contribution of the staff was only Rs.1.49 million i.e. 1.52 percent. Accordingly, the remaining amount of Rs. 96.52 million i.e. 98.50 percent had to be borne from the member's Fund of the Board.
- It is expected to discuss with the trade unions in the future to increase the amount of contribution charged and to take relevant action.
- Action should be taken with a good management and planning when spending from the member's Fund consisted of the contributions of the members.
- (e) As per amendments made by Section (1) 20 of the Employees' Trust Fund Act No. 46 of 1980 and Section 7 of the Employees' Trust Fund (Amendment) Act No. 47 of 1988, the Board has been permitted to register self-employed persons. However, 42,951 or 1.66 percent, out of 2,658,735 self-employed persons in Sri Lanka, had been registered as members of the Fund as at 31 December 2021. Although a separate Section has been established in the Board to promote this sector, which has been specifically mandated by the Fund Act and strategies had been outlined in the Action Plan, the number of new persons registered in the year 2021 was only 256.
- Obtaining the membership of the Self-Employment and Migrant Services Division is not mandatory for the self-employed persons and it is done voluntarily for the self-employed persons. 1618 new members were recruited in the year 2019 under the innovation programme introduced by the Self-Employment and Migrant Services Division in the year 2019. It was a growth of 418.8 percent compared to the year 2018. Those programmes could not be implemented with the outbreak of CoviD pandemic in the country during the year 2020. As a result of conducting the innovation programme, 481 new members had been registered for the year 2020 even in the face of the pandemic situation and 256 new members had been recruited in the year 2021.
- A formal programme should be prepared and implemented to register the self-employed persons.

- (f) According to the Incorporation Act, the Chief Executive Officer of the Board is the Chairman of the Board. However, it was recommended at the meeting of the Committee on Public Enterprises held on 26 August 2016 that Section 5(2) of the Employees' Trust Fund Act, which specifies that Chief Executive Officer of the Board shall be the Chairman of the Board should be amended as the Board is a financial institution. Nevertheless, the necessary amendments to the Act had not been made even by the end of the year 2021.
- In relation to this, the proposed amendments to the Employees' Trust Fund Act No. 46 of 1980 have been drafted and forwarded to the Ministry of Finance for approval. The relevant amendments that had been redrafted at the discussion held in that regard between the two parties according to the views and suggestions of the Ministry of Finance are scheduled to be submitted for the approval of the Board of Directors.
- The relevant approvals should be obtained promptly and arrangements should be made to amend the Act.
- (g) Action had not been taken even by December 31 of the year under review to identify the relevant members and to settle a total of Rs.38.99 million comprised of unclaimed death benefits amounting to Rs. 21.70 million, which have been continuously increasing since 1995 and retained benefits prevailed since 2001 amounting to Rs.17.29 million.
- An amount of Rs.2.45 million had been paid to 23 owners up to 31 May 2022 in relation to the unclaimed death benefit account. An amount of Rs.3.07 million, which had been claimed by 71 claimants of benefit in respect of the returned benefit account had been paid by May 2022. An amount of Rs.1.42 million had been repaid up to May 2022 to 24 beneficiaries related to the unclaimed welfare benefit account.
- It is the responsibility of the Management to separately identify the unclaimed death benefits and retained benefits that had not been settled and to develop a programme to settle them.
- (h) Unclaimed scholarship amount of Rs.1.27 million to be paid to the students, who had passed the Advanced Level related to the period of 1994 to 2009, had not been settled even by 31 December 2021.
- A practical problem of not being able to pay these scholarship amounts has arisen as there was no sufficient information to contact the claimants related to this amount. Accordingly, it has been instructed at the meeting of the Audit and Management Committee held at the Ministry of Finance on 09 June 2022 to credit this amount again to the account of the Board subject to the approval of the Board of Directors.
- A formal programme should be developed to identify the relevant claimants and action should be taken to settle these balances.

3.2 Operational Inefficiencies

----- Audit Observation -----	----- Comments of the Management -----	----- Recommendation -----
(a) The Board had not been able to realize capital gains from the investment made for an average cost of Rs.287.78 million in 8 listed companies as at 31 December 2021 as the Board had not traded in the stock market since 2015.	Since 3 companies out of 8 companies are hotel companies related to the tourism sector, we hope to sell with capital gains when the market price of a share is higher than the actual cost in an environment where tourism is developing within the country. we hope to sell and to earn profit when the share price is higher than the actual cost in the remaining 5 companies.	The investment portfolio should be managed in a way that the members get higher returns.
(b) Dividend income had not been received in the year 2021 for the shares with an average cost of Rs.1,242.24 million for the investments made in 15 companies out of the investments made in the listed companies as at 31 December 2021. Dividend income had not been received for the period of 2015-2021 for 2 companies and for the period of 2019-2021 for 2 companies and for the period of 2020-2021 for 3 companies.	Operations of many companies had hampered due to Easter attacks in the year 2019 and Corona pandemic prevailed from 2019 to 2021. Let us hope that the capital market will recover and dividends will be declared in the future under profitable conditions.	The investment portfolio should be managed in a way that the members get higher returns.
(c) Dividends had not been received for the units costed at Rs. 41.68 million in the National Equity Fund for the years, 2020 and 2021.	The investment made in National Equity Fund is a long-term investment and the cost invested was Rs. 41.7 million. The Board has received an amount of Rs. 179.9 million, which is 4 times that cost, as dividends from the year of investment up to the year of 2019. However, many companies had not paid dividends in the years, 2020/2021 due to the outbreak of Corona pandemic in the country during those years.	The investment portfolio should be managed in a way that the members get higher returns.
(d) A vehicle park is maintained on a plot of land belonging to the Board at Navam Mawatha and certain parties obtained parking facilities there on a monthly rental basis. However, it was observed that the Board had not	Currently, valid and written Agreement has not been entered in to with the customers, who use the Navam Mawatha car park, and it is expected to prepare an Agreement in the future with the support of the Legal Division and enter into an	Entering into formal Agreements with the organizations that receive services in the car park and obtaining adequate

entered in to an Agreement with the relevant customers. Although a security deposit of 03 months should be obtained from those customers, such security deposit had not been collected from 61 customers, who had receivables amounting to Rs.3.35 million as at 31 December 2021. There had been occasions, where the outstanding balance due from certain customers as at 31 December 2021 had been very high compared to the amount of security deposit received from those customers. Accordingly, it was observed that even though the amount due in relation to 19 customers had been Rs.1.78 million, the retained security deposit was only Rs.867,497.

Agreement with the relevant institutions. Although a sum of Rs.3.35 million should have to be recovered from 61 debtors as at 31 December 2021, the balance was about Rs.676,031.39 as at 31 May 2022. Furthermore, an amount of Rs. 447,053.72, out of those debtors, is represented by inactive debtors, who have already left the vehicle park. Most of those customers had been registered before 01 July 2017 and had left the vehicle park by the year 2018. Accordingly, action is being taken to write off the debtors, from whom the money could not be recovered, from the books of accounts after obtaining the approval of the Board of Directors.

security bonds and making arrangements to collect arrears.

(e) Although the Board had been a major institution that invests funds in government securities, it had not obtained the Direct Bidding Facility from the Central Bank of Sri Lanka. Although it had been directed by the Committee on Public Enterprises held on 26 August 2016, to register as a Primary Dealer of the Central Bank of Sri Lanka, it had not been done even by 31 December 2021.

The Board has to incur a high cost to obtain and maintain this facility. After completing the recruitment of employees and getting the approval of the Board of Directors, action can be taken to meet the requirements as informed by the Central Bank of Sri Lanka. The suspension of recruitment of new employees with effect from 2022 has hindered further action in this regard. This facility is currently obtained by the Peoples' Bank, a state-owned bank, without incurring a cost and without employing additional employees.

It is the responsibility of the Management to execute the Directives given by the Committee on Public Enterprises.

(f) Although a shortage of 1456 goods related to 95 non-current asset items and an excess of 825 goods related to 78 asset items and 309 scrap goods related to 48 asset items had been identified as per the reports of the verification of goods for the year 2020, necessary action in that regard had not been taken.

It had to spend time until November 2021 to complete the report on verification of goods for the year 2020 owing to the pandemic situation prevailed in the country. Meanwhile, the survey of goods for the year 2021 was also conducted and its report was finalized in June 2022. Explanations for that have been called by now and further steps are expected to be taken regarding the issues stated in both of these reports.

Appropriate action should be taken promptly and necessary adjustments should be made in the financial statements.

3.3 Procurement Management

Audit Observation

Even though e-wis had agreed to supply 228 laptops to the Board by 04 January 2022 as per the Agreement entered in to on 29 November 2021 at an amount of Rs.37,260,900, only 90 computers from the order had been supplied by May 2022. Further, a weekly fine of 0.5 percent of its value had not been charged for the stock that had not been supplied as per the Agreement.

Comments of the Management

The supplier said that it had not been possible to supply the remaining stock due to the economic situation in the country. Accordingly, we have referred this to the legal department of the Board for getting instructions on the possible legal action that can be taken in this regard. Furthermore, attention has been focused on the ability to clear 10 percent in relation to the price of the goods mentioned in the Performance Guarantee.

Recommendation

Taking action as per the legal advices.

3.4 Human Resource Management

Audit Observation

Although the Board had been instructed at the meeting of the Committee on Public Enterprises held on 26 August 2016 to promptly appoint a permanent officer for the position of Chartered Financial Analyst for the investment management of the member's Fund of the Board, an officer had not been recruited for that position even by the date of audit in May 2022.

Comments of the Management

The Board filled the vacancy of the post of General Manager in mid-2020, and the vacancy in the Investment Division of the Board was filled in 2017. At present, one member of the Board of Directors is an experienced officer who has worked as a Director of institutions related to the banking sector. Other members of the Board of Directors are also competent and experienced officers in the public and private sectors. Therefore, the current activities of the institution are carried out under a broad guidance. At present, the Investment Department consists of highly experienced and skilled staff, who have the knowledge and strength to carry out the work independently. Furthermore, the Board has to spend a lot of money to appoint a CFA qualified person, and it is difficult to get the services of such a person based on the salary of employees and benefit situation of the Board.

Recommendation

Focusing attention on taking action in relation to the Directives made by the Committee on Public Enterprises.