

Board of Investment of Sri Lanka - 2023

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Board of Investment of Sri Lanka (“Board”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matters

Without qualifying my opinion, I draw attention to Note 2.5 and Note 3.15 in the Financial Statements.

- (a) I draw your attention to Note 2.5 which indicates the Board of Investment Law; No. 04 of 1978 is to be repealed by Section (1) of Section 193 of the Economic Transformation Act, No.45 of 2024 which has been certified by the Hon. Speaker on 09 August 2024. However, in terms of Section (2) of Section 1 of the Economic Transformation Act, No. 45 of 2024, the provisions of part II, Part III and Section 193 come into operation on the date which the certificate of the Hon. Speaker is endorsed in respect of this Act, and in terms of Section (3) of Section 1, the provisions of part II, part III and Section 193 shall come into operation only after the date on which the Minister may appoint by Order published in Gazette (the “appointed date”), which shall be a date within three months from the date of the certificate of the Speaker, referred to in Subsection (2) of Section 1.

In preparing the Financial Statements, the Management has assessed the ability of the Board of Investment of Sri Lanka to continue as a going concern and the Management has reasonable expectation the BOI shall continue its operational existence in the foreseeable future utilizing its existing resources. Accordingly, notwithstanding the intended repeal of the Board of Investment of Sri Lanka Law, No. 04 of 1978, operations of the Board will be absorbed by the Economic Commission of Sri Lanka (ECSL). Hence, Board of Investment of Sri Lanka does not foresee a need for liquidation or cessation of operations, taking into account all available information about the foreseeable future. As such, the Board continued to adopt the going concern basis in preparing the Financial Statements for the year ended 31 December 2023.

However, the provisions of this act concerning the Board of Investment of Sri Lanka have not been implemented as of the date of this report.

- (b) I draw attention to Note 3.15 and as stated in the note the Board of Investment is currently exempt from corporate income tax under the Section 32 of the Board of Investment Act No. 04 of 1978. However, with the enactment of the Inland Revenue Act No.24 of 2017, effective from 01 April 2018, general exemptions had been removed. The Board has sought an opinion from the Attorney

General in the year 2017 to clarify whether the Board of Investment is now liable to pay under the new legislation. The resolution of this matter may have significant impact on the financial statements.

1.2 Basis for Opinion

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 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 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 intends 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

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 Accounts Receivable and Payable

1.5.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) The dues from BOI approved enterprises as at 31 December 2023 amounted to Rs.1,480,032,535 and it is 69 percent higher than the corresponding amount in the preceding year.	A major portion of the outstanding dues is from closed and cancelled projects. Action will be taken to write off the unrecoverable amounts with the approval of the Treasury.	Actions should be taken to recover the due.

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| (b) | A provision for impairment amounting to Rs.276,287,243 was recorded during the year under review for the annual fee, representing 87 percent of the total dues from the annual fee as of 31 December 2023. | Noted. | -Do - |
| (c) | Due from other receivable amounting to Rs.40,574,617 as at 31 December 2023 had been remained outstanding for more than 05 years. | Action will be taken to recover the sum and write off the unrecoverable amounts with the approval of the Treasury. | - Do - |

1.5.2 Payables

Audit Issue	Management Comment	Recommendation
(a) Although the 8 contracts were completed, retention money totaling Rs.2,375,127 related to these contracts had been remained unsettled for over four years.	Action will be taken to treat these amounts as income of Board, after tracing the contracts relating to release of retentions.	The accounts payable should be reconciled, and payments should be made or recognized as income.
(b) A total of Rs.3,293,593 owed to sundry creditors has remained unsettled for over three years.	The Board will review the sundry creditors in detail and will seek the possibilities to write off the sundry creditors from the books of accounts. This will be adjusted in the Financial Statements for the year 2024.	-Do -

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Section 3(c) of Board of Investment Law; No. 04 of 1978	Although one of the key objectives of the Board is to encourage and promote foreign investment, it was noted that only one investor contributed an investment of USD 7.004 million to the Kandy Industrial Park during the period from 2018 to 31 August 2023.	During this period, COVID-19 pandemic spread all over the world and Sri Lanka is facing its worst economic crises. However, action will be taken to promote existing investors for re-investments.	Actions should be taken to promote Foreign Direct Investment.

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| (b) National Environment Act No.47 of 1980 | Eight enterprises in the Kandy Industrial Park and three enterprises in the Biyagama Export Processing Zone had not renewed their Environmental Protection Licenses as mandated by the relevant legislation. | The Board is closely monitoring the industry in terms of its environmental aspects to assure its proper operations and after rectifying shortcomings, actions will be taken to issue Environment Protection Licenses. | Licenses should be renewed on due date in accordance with the National Environment Act. |
| (c) Cabinet Decision No.13/1599/561/022 and dated 12 November 2013 | As of 18 September 2023, the ownership of 5.646 hectares of land (KTI land) had not been transferred to the Board for the expansion of the Kandy Industrial Park. Consequently, this land has remained vacant since 2013, without any investment activities taking place. | The usage of the land was handed over to Board by the DS office -Kundasale on 10 March 2023. Further, Divisional Secretary's letter dated 22 February 2024 granted permission to develop the access road to this land. However, legally handing over process of the land to Board through the Land Commissioner is still pending. | Immediate action should be taken in accordance with the Cabinet Decisions. |
| (d) Public Enterprises Circular No.01/2015 dated 25 May 2015 and subsequent amendments | | | |
| i. Section 3.1 | Fuel allowances were granted to six Executive Directors, exceeding the allowable limits by 1,440 liters, resulting in a total amount of Rs.511,800. | Senior Officers are informed to obtain approval/concurrence of the Director General/ Executive Director (HR & Administration)/ Executive Director (Zones)/ Head of Department for their travel related to the extra fuel reimbursement. | Action should be taken in accordance with the Circulars guidelines. |
| ii. Section 3.2 | Contrary to this provision, additional fuel allowances amounting to Rs.1,269,800 were disbursed without proper approval. | - Do - | - Do - |

(e) Public Enterprises Circular 01/2021 dated 16 November 2021		-
i. Guidelines on Corporate Governance		
• Section 2.6	Although the Chief Executive Officer or any other employee already engaged in a different role within the institute should not be appointed as the Secretary to the Board of Directors, the Executive Director of Human Resources and Administration had been appointed as the Board Secretary.	The Executive Director (HR & Administration) who functioned as Acting Director (HR) in 2017 and was appointed as the secretary to the board and prior to the circular. However, the Board of Directors at its meeting held on 04 May 2022 has granted approval to permit Executive Director (HR & Administration) to continue in the capacity of Secretary to the Board. Action should be taken in accordance with the Circulars guidelines.
•Section 3.2	Annual Performance Review Meetings (APRM) for the years 2021, 2022, and 2023 had not been conducted as of the date of this audit report, despite the requirement for these meetings to be held within five months following the balance sheet date and prior to the submission of the Annual Report to the Parliament.	The performance in respect of every year has been discussed at the Board Meetings as appropriate in the following year, though there were no separate meetings to review the performance. -Do -
ii. Operational Manual for State Owned Enterprises		
•Section 3.1 & 3.2	While State-Owned Enterprises (SOEs) are required to obtain approval from the General Treasury for their personnel and remuneration, the Board disbursed allowances amounting	Approval of the Department of Public Enterprises was sought for this through the Secretary, Ministry of Investment Promotion by -Do -

	to Rs.462,463,188 without securing the necessary approval from the General Treasury.	letter dated 11 October 2023. Further, a reminder too in this regard has been sent through the Secretary, Ministry of Investment Promotion on 19 July 2024.	
•Section 6.6	The financial statements of the Board for the year 2023 had been submitted to the Auditor General on 13 June 2024 with a delay of 104 days.	Since to the IMAS accounting system was temporarily out of order the Financial Statements for the year 2023 had not been submitted due date. After repairing the hardware issues, the financial statements were submitted to the Auditor General.	-Do-
(f) Public Enterprise Circular – PED No. 04/2022 dated 08 August 2022 Paragraph 2.7	The Board disbursed an amount of Rs.3,000,000 to the Media & Special Projects Bureau at Sri Dalada Maligawa for the Kandy Asala Perahera, despite the suspension of all forms of sponsorships, donations, CSR expenses, and non-business-related promotional expenditures. Any such essential expenditure may only be authorized with the approval of the relevant Minister and the concurrence of the Honorable Minister of Finance.	The Board has granted the approval to donate Rs.3,000,000 to Sri Dalada Maligawa. Based the approval of the Board of Directors and the request of the then Minister of Investment Promotion, donation was given to Sri Dalada Maligawa.	-Do-
(g) Letter from Director General of Department of Public Enterprises No. PED/P/BOI/3/6/(i) and dated 15 December 2023	Although the Treasury approved the payment of Rs.50,000 as an annual bonus for each employee of the Board for the year 2023, contingent upon the remittance of Rs.1,000,000,000 to the Consolidated Fund by 31 December 2023, the Board had disbursed Rs.52,633,287 as an annual bonus without making the requisite payment to the Consolidated Fund.	The Board has granted approval to make a provision of Rs.1,000,000,000 as a contribution to the Consolidated Fund. The provision has been made accordingly.	The payment of bonus or profit based incentives should be made to employees of SOEs after the distribution of levies/ dividends as applicable.

(h) National Procurement Guidelines – 2006 Section 4.2.1	The Master procurement plan had not been reviewed and regularly updated in accordance with this Section.	Action will be taken to submit the revised Master Procurement Plan, bi-annually, for the approval of the Board.	Action should be taken in accordance with the National Procurement Guidelines.
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2 Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.5,666,592,974 and the corresponding surplus in the preceding year amounted to Rs.2,921,657,387. Therefore, an improvement amounting to Rs.2,744,935,587 of the financial result was observed. The reasons for the improvement are increase in revenue and finance income by Rs.2,198,196,745 and Rs.1,291,540,351 respectively.

3 Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The board has allocated an 8’x8’ space from the service area adjacent to the office building of the Kandy Industrial Park for the generator room of the Bank of Ceylon without entering into an agreement hence rent had not been decided and charged for that space.	Actions will be taken to include this portion into the lease agreement.	All spaces allocated to investors should be formalized through lease agreements, and rental charges should be applied.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Although 23 applications were received for registration under Section 16 between 01 January 2022 and 31 August 2023, only 7 applications were approved, and commercial operations were initiated by just one investor.	The Board received 23 applications to register under Section 16 of the BOI Law, during the period specified, ten (10) applications were rejected due to various reasons such as incomplete submission of required details, line agency rejection non-recommendation of relevant line agencies, etc. Further, twelve (12) applications were approved under section 16 of the BOI Law whereas one (01)	Actions should be taken to expedite the application approval process by coordinating with the relevant authorities.

application remains pending approval as the project proponent has not submitted the requested details to the Board.

- (b) According to the Board policy, approval for project proposals should be granted within 60 days for the period from 2020 to 2022. However, it was noted that 53 project applications submitted for registration under Section 17 of the BOI Law No. 4 of 1978 were approved by the Board, taking between 185 and 882 days, in contrast to this policy.
- Although the Board intends to approve within 60 days, during the year 2020 to 2022, the time taken for granting approval for certain projects was extended drastically amidst the COVID-19 pandemic, and the economic crisis prevailed at that time. In addition, due to delays in line agency approvals required for certain projects, land issues, and lack of investment of investors due to the financial crisis affected the reported delays in project approvals.
- Do -
- (c) It was observed that 45 investment projects approved by the Board under Section 17 of the BOI Law No.4 of 1978 were still pending agreements as of the audit date. Additionally, the Board had not acted to finalize agreements with 34 investors who have been awaiting agreements for more than one year from the date of their project approval. Furthermore, delays were noted in the process of signing extension agreements with tenants in the Biyagama Export Processing Zone.
- Out of the 34 projects, agreements of 05 projects have been signed, approvals of 06 projects have been withdrawn and 02 projects are dormant. When a company requests an extension of the existing agreement, the Zone Management department issues an awarding letter bearing the signature of the Director (BEPZ). This letter is considered a temporary agreement between the tenant and the Board until a formal agreement is signed. However, there have been delays in the finalization of some agreements with tenants due to various reasons.
- Agreements should be finalized in a timely manner.
- (d) According to the project status report provided by the Board for the audit, there were 7 project applications submitted for registration under Section 17 of the BOI Law No.4 of 1978 during the periods of 2021 and 2022 that had not been approved as of the date, 30 November
- Four (04) project applications have been approved after 31 August 2023 and five (05) project applications were cancelled and the balance applications (07) are awaiting for approval due to various reasons such as pending
- Actions should be taken to expedite the application approval process by coordinating with the relevant authorities.

2024.	environmental clearance, pending UDA & CMC approval, land issues etc.	
(e) According to the progress of the revised procurement plan for 2023, 37 activities have been completed out of a total of 129 planned activities. Consequently, the execution progress of the procurement plan is only 29 percent.	The Board approved the Capital budget on 29 March 2023 and the Treasury granted approval for the same on 18 May 2023. Subsequently the capital budget was revised for the second half of the year reducing the number of planned procurements considering the time loss for granting approval for the planned capital budget 2023. Revising estimates completed, delays in Procurement Committees, re-tendering, delays in designs & tender documents preparation by outside organizations, staff shortage, etc. has affected deliverables.	The procurement plan should be implemented to meet the specified timelines.
(f) A physical inspection conducted on 6 November 2023 at the Biyagama Export Processing Zone revealed that the material recovery center was in a state of significant disarray. It was noted that waste had accumulated not only in front of the designated cabin but also scattered along the access roads throughout the area.	The management of the Material Receiving Center (MRC) acknowledges the concerns raised by the audit team regarding the untidiness observed during their physical visit.	Waste management should be conducted appropriately while ensuring the cleanliness of the environment.
(g) The Board has approved the allocation of Lot No. 43 B, spanning 40 perches, for establishing a dedicated fuel station at the Biyagama Export Processing Zone and the Board had issued approved letter on 30 May 2022, granting six months grace period. The total contract value is USD 5,000,000 and minimum investment USD 250,000 should be remitted within 12 months. However, the company had not remitted the minimum investment of USD 250,000 and had not submitted the necessary documentary proof with the license of Ceylon	The investor needs to obtain a dealership from Indian Oil Company or any other party instead of Ceylon Petroleum corporation and the required approval from the Ministry of Power & Energy has still not been received which is beyond the control of the board.	Action should be taken in accordance with the approval letter.

Petroleum Corporation within the allotted six months period. As of 30 October 2023 more than 17 months after the land allocation, the company had not commenced the project and the Board had not taken further action regarding these issues.

(h) The Board had entered into an agreement on 27 September 1988 with the Free Trade Zone Sports Association (FTZSA) for leasing 16 acres at Katunayake export processing zone. Lease rent was Rs.200 per acre per annum up to 26 September 2018. The Board of Directors had reviewed this amount in September 2014, June 2017, and April 2018, proposing to increase the ground rent to Rs.1,000 per acre per annum for 30 years without obtaining independent valuer's report. However Board had spent four years time to increase Rs.1000 from Rs.200. In 1999, the Board had fully rehabilitated the playground as part of the Township Development Programme by granting Rs.2 million in 2001 and Rs.0.5 million in 2005 to the FTZSA. The sports complex now features two areas lower ground and upper ground. The lower ground includes a pavilion and is rented out at daily rates of Rs.25,000 for internal parties and Rs.35,000 for external parties, while the upper ground, also with a pavilion, has a daily rental rate of Rs.80,000. Even though the ownership ground with the Board and spending Rs.2.5 million for rehabilitation of the ground, Board could earned Rs.16,000 per annum only.

The Sport Complex has been allocated to Free Trade Zone Sports Association (FTZSA) as a CSR activity to facilitate the enterprise employees especially for arranging various sports and welfare activities at Katunayake Export Processing Zone. Also, FTZSA is not a profit-making organization and carries out these sport activities only for the benefit of the zone employees and presently they are charging rental for the ground booking in order to maintain the regular maintenance activities and the provisions of other services etc. therefore, the board increased annual ground rent to Rs.1,000 per acre with the provisions of revising it every 03 years to an amount not exceeding 10 percent of the said amount as per the Board decision dated 06 April 2018.

Before making a decision, all relevant factors should be considered.

3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
As of 31 December 2023, a total of 989 acres across 14 zones were vacant, with four of those zones exhibiting vacancy rates exceeding 40	The Board continuously taking steps to promote the vacant lands among the investors.	Actions should be taken to promote vacant lands among the investors.

percent. Additionally, 785.1055 acres relating to 09 non-zonal lands were vacant as at 31 December 2023 with no investment.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
<p>The Board of Investment has approved the departmental estimate for the supply and installation of two aerators with a steel structure for the oxidation ditch of the Common Wastewater Treatment Plant (CWWTP) in the Biyagama Zone, at the cost of Rs.90,243,920. Hence the awarded bid price was Rs.126,639,127 exceeding the threshold limit by Rs.36,395,207 of the original estimate. Furthermore, the procurement relating to the improvements to the walkway drains of Block B, which exceed departmental estimates by over 144 percent, the revised estimate was prepared during the bid evaluation period. Although the total cost estimate should be prepared as per the Government Procurement Guidelines 4.3, Board had not acted accordingly.</p>	<p>The revisions of estimates were done within the bid evaluation period and before the selection of a substantial responsive bidder.</p>	<p>The Total Cost Estimate should be prepared as per the Government Procurement Guidelines.</p>

3.5 Delays in Projects or Capital Work

Audit Issue	Management Comment	Recommendation
<p>Although a request was submitted on 26 November 2019, by the Director of the North Western Regional Office for the improvement of the Waste Water Treatment Plant (WWTP) at the Mawathagama Export Processing Zone, the contract was awarded on 21 October 2021, resulting in a delay of 20 months. Due to this delay the price had escalated by 33 percent amounting to Rs.3,282.375. The contract was awarded with a requirement to complete and hand over the project to the Board within 180 days, by the date of 18 April 2022. However, construction experienced an 8 months delay, with the actual handover date occurring on 23 December 2022. Following the commissioning of the WWTP, defects attributed to</p>	<p>The Outbreak of COVID – 19 affected in delaying implementation of the above project. Time extensions to contractors were granted considering the valid reasons. During the defect liability period, defects/issues appeared in all four machines. Even though the contractor had repaired these defects time to time the consultant (NWS & DB) did not accept the repair as defects continued to appear.</p>	<p>Upon request from the management of the Zone regarding urgent requirements, prompt action should be taken to resolve the matter as a priority.</p>

manufacturer faults were identified in all four aerators, leading to their replacement at the contractor's expense. However, two aerators remain non-functional as of the audit date on 20 May 2024, indicating that the Board inadequately planned and monitored the construction similar to other Zones, to prevent such defects. This jeopardizes the smooth operation of the Zone and poses a significant risk to maintaining positive relationships with investors in the zone.

3.6 Defects in Contract Administration

Audit Issue	Management Comment	Recommendation
<p>Since 2021, one investor in the Polgahawela Export Processing Zone experienced flooding, which caused damaged to the properties incurring of Rs.1,000,000,000. The board had appointed a consultant for preliminary study and construct flood protection earth bund of consultancy fee of Rs.60,000. However, no evidence had been presented to Audit relating to the selecting process of such person as consultant. Constructed bund was not solution for flooding hence the bund being constructed without taking into account the land's topography. Therefore the investor is still affected flooding because of the Board of Investment failed to adequately analyze the situation and effectively manage the zone to provide optimal services to the investors while safeguarding their assets.</p>	<p>The bund was constructed at a height of 1.5 meters from the lowest point of the land near Kuda Oya. Bund height varied according to the existing levels of the land. However, this bund has been constructed for normal flood of this area in first stage and another construction proposed to raise the bund by concrete wall during this year. As per the consultant, the space between said investor's building and the river is not sufficient to design an earthen bund with a height more than 1.5 m.</p>	<p>When planning the layout of a zone, such issues should be addressed proactively, and immediate actions must be taken to prevent future flooding in the Zone.</p>

3.7 Human Resources Management

Audit Issue	Management Comment	Recommendation
<p>As at 31 December for the year under review the approved cadre of the Board was 1,299 and the actual cadre was 1,111. Accordingly, there were 242 vacancies. Further, there were 54 excess unskilled employees at the primary level.</p>	<p>All the excess employees in the Primary level are Casual/ Contract Security Guards who were absorbed in to the permanent cadre on 01 September 2019 as per the Public Administration Circular No. 29/2019 dated 18. September 2019 issued on a Cabinet decision. Further, the excess</p>	<p>Cadre of the board should be periodically reviewed and made necessary adjustments with the approval of the Department of Management Services.</p>

Management Assistant (Technical Category) employees are the Technical Assistants who were recruited to facilitate the setting up of three new Zones at Bingiriya, Eravur and Hambantota. The Department of Management Services was requested to create new posts in this regard.

4 Accountability and Good Governance

4.1 Environmental Issues

Audit Issue	Management Comment	Recommendation
(a) An abandoned quarry within the Biyagama Export Processing Zone, approximately 30-40 feet deep and covering about 5 acres, has turned into a reservoir due to accumulated storm water. The quarry was operated by an external organization until 1997, and the excavated materials were utilized for the zone's development. During the rainy season, storm water overflow causes flooding in the surrounding village, leading local residents to file multiple complaints with the Board. As of 30 November 2023, this issue remains unresolved.	The Board has engaged in discussions with all relevant parties to address the flooding situation. It has accepted the decisions made by the Gampaha Coordination Committee, and necessary steps will be implemented to release funds following the signing of a Memorandum of Understanding aimed at mitigating the flooding issue.	Measures should be implemented to mitigate flooding, and proactive steps should be taken to prevent similar issues in the future.
(b) The average daily water consumption in the Biyagama zone is 21,000 m ³ , with treated effluent currently being discharged into a natural stream that connects to the Kelani River, the primary water supply for the country, located upstream of the Ambathale water intake. To mitigate serious health risks associated with potential untreated discharges and the accumulation of hazardous substances, the National Water Supply & Drainage Board (NWS&DB) initiated a project to pump treated effluent downstream of the river at cost of Rs.32,000 million under the project of Credit Agricole Corporate & Investment Bank, France and completed	The contract was awarded on 15 April 2024.	The projects should be aligned with the established timelines, and efforts should be made to maximize the utilization of foreign funds.

within 3 years from 23 January 2017. However, the completion of the pipe-laying work was impeded by public protests resulting in the suspension of the final 160 meters of pipe laying since December 2019. As extensive delays occurred without resolution, the project was eventually withdrawn, and funding was terminated. Consequently, the Board had approved the continuation of the remaining work under allocating of Rs.95 million from the 2023 capital budget. The project is in the bidding stage as at 05 January 2024. Delays in this project have a detrimental impact on public health and the board had to allocate funds for the project.